

(A free translation of the original in Portuguese)

**Raia Drogasil S.A.**  
**Quarterly Information (ITR) at**  
**September 30, 2017**  
**and report on review of**  
**quarterly information**

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

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Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

## Company information/capital composition

<b>Number of shares (units)</b>	<b>Current quarter 9/30/2017</b>
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### **Paid-up share capital**

<b>Common shares</b>	330,386,000
<b>Preferred shares</b>	0
<b>Total</b>	330,386,000
<b>Treasury shares</b>	
<b>Common shares</b>	674,154
<b>Preferred shares</b>	0
<b>Total</b>	674,154

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Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

### Company information/dividends

<b>Event</b>	<b>Date approved</b>	<b>Description</b>	<b>Initial date of payment</b>	<b>Type of share</b>	<b>Class of share</b>	<b>Amount per share (Reais/share)</b>
Board of Directors' Meeting	3/21/2017	Interest on capital	12/1/2017	Common		0.15468
Board of Directors' Meeting	6/21/2017	Interest on capital	12/1/2017	Common		0.14861
Board of Directors' Meeting	9/21/2017	Interest on capital	5/31/2018	Common		0.15468

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Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## Parent company financial information/balance sheet - assets

(R\$ thousand)

<b>Code</b>	<b>Description</b>	<b>Current quarter 9/30/2017</b>	<b>Prior year 12/31/2016</b>
1	Total assets	6,206,955	5,572,454
1.01	Current assets	3,747,961	3,350,002
1.01.01	Cash and cash equivalents	380,868	273,095
1.01.03	Trade receivables	956,331	834,552
1.01.03.01	Customers	783,816	713,841
1.01.03.01.01	Checks receivable	2,191	2,241
1.01.03.01.02	Credit and debit cards	729,280	648,987
1.01.03.01.03	PBM – Medicine benefit program	34,461	41,975
1.01.03.01.04	Agreements with companies	21,927	23,226
1.01.03.01.05	Bank slips/ Online transfer	3	24
1.01.03.01.06	(-) Provision for impairment of trade receivables	-4,046	-2,612
1.01.03.02	Other receivables	172,515	120,711
1.01.03.02.01	Advances to employees	9,515	7,392
1.01.03.02.02	Returns to suppliers	4,562	7,692
1.01.03.02.03	Commercial agreements	107,047	74,154
1.01.03.02.04	Loan receivable	37,834	16,099
1.01.03.02.05	Other	13,557	15,374
1.01.04	Inventory	2,306,281	2,118,428
1.01.04.01	Goods for resale	2,316,308	2,126,550
1.01.04.02	Materials	2,090	2,043
1.01.04.03	(-) Allowance for losses on goods	-12,117	-10,165
1.01.06	Taxes recoverable	83,157	111,513
1.01.06.01	Current taxes recoverable	83,157	111,513
1.01.06.01.01	Taxes on profit	0	11,950
1.01.06.01.02	Other taxes recoverable	83,157	99,563
1.01.07	Prepaid expenses	21,324	12,414
1.02	Non-current assets	2,458,994	2,222,452
1.02.01	Long term receivables	66,082	50,858
1.02.01.03	Trade receivables	2,039	334
1.02.01.03.02	Other receivables	2,039	334
1.02.01.07	Prepaid expenses	4,660	4,553
1.02.01.09	Other non-current assets	59,383	45,971
1.02.01.09.03	Judicial deposits	27,947	23,007
1.02.01.09.04	Taxes recoverable	31,436	22,964
1.02.02	Investments	31,200	29,424
1.02.02.01	Equity interests	31,200	29,424
1.02.02.01.02	Interests in subsidiaries	31,200	29,424
1.02.03	Property and equipment	1,210,525	1,004,891
1.02.04	Intangible assets	1,151,187	1,137,279

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Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## Parent company financial information/balance sheet - liabilities and equity

(R\$ thousand)

Code	Description	Current quarter 9/30/2017	Prior year 12/31/2016
2	Total liabilities and equity	6,206,955	5,572,454
2.01	Current liabilities	2,344,552	2,127,912
2.01.01	Social security and labor obligations	247,179	196,600
2.01.01.01	Social security obligations	44,397	37,814
2.01.01.02	Labor obligations	202,782	158,786
2.01.02	Trade payables	1,495,096	1,564,787
2.01.02.01	Domestic suppliers	1,495,096	1,564,787
2.01.03	Tax obligations	118,349	95,088
2.01.03.01	Federal tax obligations	69,506	47,749
2.01.03.01.02	Other federal tax obligations	69,506	47,749
2.01.03.02	State tax obligations	46,912	44,062
2.01.03.03	Municipal tax obligations	1,931	3,277
2.01.04	Borrowing	231,775	131,804
2.01.04.01	Borrowing	169,324	131,804
2.01.04.01.01	In local currency	169,324	131,804
2.01.04.02	Debentures	62,451	0
2.01.04.02.01	Debentures	62,451	0
2.01.05	Other obligations	234,650	118,228
2.01.05.02	Other	234,650	118,228
2.01.05.02.01	Dividends and interest on capital	131,373	25,546
2.01.05.02.04	Rentals	61,548	56,290
2.01.05.02.05	Other payables	41,729	36,392
2.01.06	Provision	17,503	21,405
2.01.06.01	Provision for tax, social security, labor and civil contingencies	4,135	93
2.01.06.01.01	Tax provision	93	93
2.01.06.01.05	Provision for legal claims	4,042	0
2.01.06.02	Other provisions	13,368	21,312
2.01.06.02.04	Provisions for sundry obligations	13,368	21,312
2.02	Non-current liabilities	777,975	534,755
2.02.01	Borrowing	486,715	281,387
2.02.01.01	Borrowing	236,780	281,387
2.02.01.01.01	In local currency	236,780	281,387
2.02.01.02	Debentures	249,935	0
2.02.01.02.01	Debentures	249,935	0
2.02.02	Other obligations	68,957	60,959
2.02.02.01	Payables to related parties	52,515	45,228
2.02.02.01.02	Payables to subsidiaries	52,515	45,228
2.02.02.02	Other	16,442	15,731
2.02.02.02.03	Tax recovery program (REFIS)	16,442	15,731
2.02.03	Deferred taxes	214,908	189,818
2.02.03.01	Deferred income tax and social contribution	214,908	189,818
2.02.04	Provision	7,395	2,591
2.02.04.01	Provision for tax, social security, labor and civil contingencies	7,395	2,591
2.02.04.01.05	Provision for legal claims	7,395	2,591
2.03	Equity	3,084,428	2,909,787
2.03.01	Paid-up share capital	1,808,639	1,808,639
2.03.02	Capital reserves	148,039	138,553
2.03.03	Revaluation reserves	12,243	12,383
2.03.04	Revenue reserves	919,118	980,442
2.03.04.01	Legal reserve	64,839	64,839
2.03.04.02	Statutory reserve	854,279	854,279
2.03.04.08	Proposed additional dividends	0	61,324
2.03.05	Retained earnings (accumulated deficit)	226,619	0
2.03.06	Carrying value adjustments	-30,230	-30,230

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Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

## Parent company financial information/statement of income

(R\$ thousand)

Code	Description	Current quarter 7/1/2017 to 9/30/2017	Accumulated - current year 1/1/2017 to 9/30/2017	Same quarter of prior year 7/1/2016 to 9/30/2016	Accumulated – prior year 1/1/2016 to 9/30/2016
3.01	Net sales revenue	3,285,538	9,349,530	2,814,540	7,963,966
3.01.01	Gross sales revenue	3,437,693	9,798,281	2,957,067	8,368,241
3.01.02	Taxes on sales	-123,390	-349,223	-105,217	-300,869
3.01.03	Rebates	-28,765	-99,528	-37,310	-103,406
3.02	Cost of sales and/or services	-2,279,288	-6,449,052	-1,927,150	-5,418,621
3.03	Gross profit	1,006,250	2,900,478	887,390	2,545,345
3.04	Operating income/expenses	-797,976	-2,312,293	-706,614	-2,002,322
3.04.01	Selling expenses	-633,121	-1,832,584	-565,366	-1,603,465
3.04.02	General and administrative expenses	-165,384	-478,854	-142,519	-402,470
3.04.02.01	Administrative expenses	-79,171	-234,652	-72,486	-203,939
3.04.02.03	Depreciation and amortization	-86,213	-244,202	-70,033	-198,531
3.04.05	Other operating expenses	0	-2,160	0	0
3.04.05.01	Extraordinary expenses	0	-2,160	0	0
3.04.06	Equity in the results of investees	529	1,305	1,271	3,613
3.05	Profit before finance results and taxes	208,274	588,185	180,776	543,023
3.06	Finance results	-28,479	-84,670	-30,079	-70,155
3.06.01	Finance income	27,312	82,057	28,175	75,393
3.06.02	Finance costs	-55,791	-166,727	-58,254	-145,548
3.07	Profit before income tax and social contribution	179,795	503,515	150,697	472,868
3.08	Income tax and social contribution	-43,735	-126,118	-34,853	-111,742
3.08.01	Current	-30,776	-100,956	-21,479	-90,631
3.08.02	Deferred	-12,959	-25,162	-13,374	-21,111
3.09	Profit (loss) from continuing operations	136,060	377,397	115,844	361,126
3.11	Profit/loss for the period	136,060	377,397	115,844	361,126
3.99	Earnings per share - (Reais/share)				
3.99.01	Basic earnings per share - R\$				
3.99.01.01	Common shares	0.41233	1.14369	0.35134	1.09526
3.99.02	Diluted earnings per share - R\$				
3.99.02.01	Common shares	0.41233	1.14369	0.35134	1.09526

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Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## Parent company financial information/statement of comprehensive income

(R\$ thousand)

<b>Code</b>	<b>Description</b>	<b>Current quarter 7/1/2017 to 9/30/2017</b>	<b>Accumulated - current year 1/1/2017 to 9/30/2017</b>	<b>Same quarter of prior year 7/1/2016 to 9/30/2016</b>	<b>Accumulated – prior year 1/1/2016 to 9/30/2016</b>
4.01	Profit for the period	136,060	377,397	115,844	361,126
4.03	Comprehensive income for the period	136,060	377,397	115,844	361,126



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Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## Parent company financial information/statement of cash flow - indirect method

(R\$ thousand)

Code	Description	Accumulated - current year 1/1/2017 to 9/30/2017	Accumulated - prior year 1/1/2016 to 9/30/2016
6.01	Net cash provided by operating activities	421,575	371,117
6.01.01	Cash from operations	826,968	712,242
6.01.01.01	Profit before income tax and social contribution	503,515	472,868
6.01.01.02	Depreciation and amortization	244,202	198,531
6.01.01.03	Share-based compensation plan, net	9,485	7,851
6.01.01.04	Interest on additional stock option	7,287	4,607
6.01.01.05	Result on disposal of property and equipment and intangible assets	4,636	6,323
6.01.01.06	Provision for legal claims	7,866	4,116
6.01.01.07	(Reversal) provision for inventory losses	1,952	-6,785
6.01.01.08	Provision for impairment of trade receivables	1,419	77
6.01.01.09	(Reversal) provision for store closures	-2,340	-938
6.01.01.10	Interest expenses	50,128	29,205
6.01.01.11	Amortization of transaction cost of debentures	123	0
6.01.01.12	Equity in results of investees	-1,305	-3,613
6.01.02	Changes in assets and liabilities	-297,989	-235,621
6.01.02.01	Trade receivables and other receivables	-101,159	-99,637
6.01.02.02	Inventory	-189,805	-276,626
6.01.02.03	Other current assets	19,548	-63,280
6.01.02.04	Long term receivables	-15,223	-913
6.01.02.05	Trade payables	-57,662	104,022
6.01.02.06	Salaries and social charges	50,580	72,803
6.01.02.07	Taxes and contributions	-8,621	10,208
6.01.02.08	Other liabilities	-906	10,258
6.01.02.09	Rentals payable	5,259	7,544
6.01.03	Other	-107,404	-105,504
6.01.03.01	Interest paid	-17,061	-15,484
6.01.03.02	Income tax and social contribution paid	-90,343	-90,020
6.02	Net cash used in investing activities	-500,694	-369,118
6.02.01	Purchases of property and equipment and intangible assets	-479,096	-354,475
6.02.02	Proceeds from sale of property and equipment	603	436
6.02.03	Loans granted to subsidiaries	-22,201	-15,079
6.03	Net cash used in financing activities	186,892	-16,173
6.03.01	Borrowing	373,365	131,749
6.03.02	Repayments of borrowing	-101,258	-76,430
6.03.03	Interest on capital and dividends paid	-85,215	-71,492
6.05	Increase (decrease) in cash and cash equivalents	107,773	-14,174
6.05.01	Cash and cash equivalents at the beginning of the period	273,095	264,549
6.05.02	Cash and cash equivalents at the end of the period	380,868	250,375

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Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

**Parent company financial information/statement of changes in equity - 1/1/2017 to 9/30/2017**

**(R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>Paid-up share capital</b>	<b>Capital reserves, options granted and treasury shares</b>	<b>Revenue reserves</b>	<b>Retained earnings/ accumulated deficit</b>	<b>Other comprehensive income</b>	<b>Equity</b>
5.01	Opening balance	1,808,639	138,553	992,825	0	-30,230	2,909,787
5.03	Adjusted opening balance	1,808,639	138,553	992,825	0	-30,230	2,909,787
5.04	Equity transactions with owners	0	9,486	-61,324	-150,918	0	-202,756
5.04.07	Interest on capital	0	0	0	-151,000	0	-151,000
5.04.08	Interest on capital of 2016 approved at the AGM of March 29, 2017	0	0	-61,324	0	0	-61,324
5.04.09	Interest on capital prescribed	0	0	0	82	0	82
5.04.10	Restricted share plan – Vesting period	0	9,486	0	0	0	9,486
5.04.11	Restricted share plan – Delivery	0	-4,863	0	0	0	-4,863
5.04.12	Goodwill on sale of shares	0	1,382	0	0	0	1,382
5.04.13	Treasury shares – Delivery	0	3,481	0	0	0	3,481
5.05	Total comprehensive income	0	0	0	377,397	0	377,397
5.05.01	Profit for the period	0	0	0	377,397	0	377,397
5.06	Internal changes in equity	0	0	-140	140	0	0
5.06.02	Realization of revaluation reserve	0	0	-212	212	0	0
5.06.03	Taxes on realization of revaluation reserve	0	0	72	-72	0	0
5.07	Closing balance	1,808,639	148,039	931,361	226,619	-30,230	3,084,428

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Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

## Parent company financial information/statement of changes in equity - 1/1/2016 to 9/30/2016

(R\$ thousand)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity
5.01	Opening balance	1,808,639	128,767	726,633	0	-30,230	2,633,809
5.03	Adjusted opening balance	1,808,639	128,767	726,633	0	-30,230	2,633,809
5.04	Equity transactions with owners	0	10,425	-48,243	-144,645	0	-182,463
5.04.07	Interest on capital	0	0	0	-144,700	0	-144,700
5.04.08	Interest on capital of 2015 approved at the AGM of March 31,2016	0	0	-48,243	0	0	-48,243
5.04.09	Interest on capital prescribed	0	0	0	55	0	55
5.04.10	Restricted share plan – Vesting period	0	9,513	0	0	0	9,513
5.04.11	Restricted share plan – Delivery	0	-890	0	0	0	-890
5.04.12	Restricted shares – Acquisition of 4Bio	0	1,802	0	0	0	1,802
5.05	Total comprehensive income	0	0	0	361,126	0	361,126
5.05.01	Profit for the period	0	0	0	361,126	0	361,126
5.06	Internal changes in equity	0	0	-140	140	0	0
5.06.02	Realization of revaluation reserve	0	0	-211	211	0	0
5.06.03	Taxes on realization of revaluation reserve	0	0	71	-71	0	0
5.07	Closing balance	1,808,639	139,192	678,250	216,621	-30,230	2,812,472

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Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

## Parent company financial information/statement of value added

(R\$ thousand)

<b>Code</b>	<b>Description</b>	<b>Accumulated - current year 1/1/2017 to 9/30/2017</b>	<b>Accumulated - prior year 1/1/2016 to 9/30/2016</b>
7.01	Revenue	9,697,793	8,264,935
7.01.01	Sales of products and services	9,698,751	8,264,834
7.01.02	Other income	461	178
7.01.04	Provision for/reversal of impairment of trade receivables	-1,419	-77
7.02	Inputs acquired from third parties	-6,366,639	-5,350,336
7.02.01	Cost of sales and services	-5,845,076	-4,888,004
7.02.02	Materials, energy, outsourced services and other	-518,806	-456,826
7.02.03	Impairment/recovery of assets	-2,757	-5,506
7.03	Gross value added	3,331,154	2,914,599
7.04	Retentions	-244,202	-198,531
7.04.01	Depreciation, amortization and depletion	-244,202	-198,531
7.05	Net value added generated by the entity	3,086,952	2,716,068
7.06	Value added received through transfer	83,362	79,006
7.06.01	Equity in the results of investees	1,305	3,613
7.06.02	Finance income	82,057	75,393
7.07	Total value added to distribute	3,170,314	2,795,074
7.08	Distribution of value added	3,170,314	2,795,074
7.08.01	Personnel	987,264	877,782
7.08.01.01	Direct remuneration	790,970	697,792
7.08.01.02	Benefits	139,277	129,753
7.08.01.03	Unemployment compensation fund	57,017	50,237
7.08.02	Taxes and contributions	1,289,121	1,126,619
7.08.02.01	Federal	371,105	329,089
7.08.02.02	State	902,912	785,644
7.08.02.03	Municipal	15,104	11,886
7.08.03	Providers of capital	516,532	429,547
7.08.03.01	Interest	165,488	144,928
7.08.03.02	Rentals	351,044	284,619
7.08.04	Stockholders and the Company	377,397	361,126
7.08.04.01	Interest on capital	151,000	144,700
7.08.04.03	Profits reinvested/loss for the period	226,397	216,426

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Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## Consolidated financial information/balance sheet - assets

(R\$ thousand)

Code	Description	Current quarter 9/30/2017	Prior year 12/31/2016
1	Total assets	6,309,836	5,659,303
1.01	Current assets	3,843,872	3,427,783
1.01.01	Cash and cash equivalents	394,563	276,632
1.01.03	Trade receivables	1,005,187	877,353
1.01.03.01	Customers	869,801	772,241
1.01.03.01.01	Checks receivable	89,193	61,386
1.01.03.01.02	Credit and debit cards	728,713	648,386
1.01.03.01.03	PBM – Medicine benefit program	34,461	41,975
1.01.03.01.04	Agreements with companies	21,927	23,226
1.01.03.01.05	Bank slip/ Online transfer	3	24
1.01.03.01.06	(-) Provision for impairment of receivables	-4,496	-2,756
1.01.03.02	Other receivables	135,386	105,112
1.01.03.02.01	Advances to employees	9,540	7,491
1.01.03.02.02	Returns to suppliers	4,562	7,692
1.01.03.02.03	Commercial agreements	107,708	74,532
1.01.03.02.04	Other	13,576	15,397
1.01.04	Inventory	2,338,694	2,149,468
1.01.04.01	Goods for resale	2,348,721	2,157,590
1.01.04.02	Materials	2,090	2,043
1.01.04.03	(-) Provision for losses on goods	-12,117	-10,165
1.01.06	Taxes recoverable	83,703	111,772
1.01.06.01	Current taxes recoverable	83,703	111,772
1.01.06.01.01	Taxes on profit	0	12,049
1.01.06.01.02	Other taxes recoverable	83,703	99,723
1.01.07	Prepaid expenses	21,725	12,558
1.02	Non-current assets	2,465,964	2,231,520
1.02.01	Long term receivables	66,082	50,858
1.02.01.03	Trade receivables	2,039	334
1.02.01.03.02	Other receivables	2,039	334
1.02.01.07	Prepaid expenses	4,660	4,553
1.02.01.09	Other non-current assets	59,383	45,971
1.02.01.09.03	Judicial deposits	27,947	23,007
1.02.01.09.04	Taxes recoverable	31,436	22,964
1.02.03	Property and equipment	1,212,884	1,006,606
1.02.04	Intangible assets	1,186,998	1,174,056

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## Consolidated financial information/balance sheet - liabilities and equity

(R\$ thousand)

Code	Description	Current quarter 9/30/2017	Prior year 12/31/2016
2	Total liabilities and equity	6,309,836	5,659,303
2.01	Current liabilities	2,416,676	2,184,684
2.01.01	Social security and labor obligations	251,623	199,378
2.01.01.01	Social security obligations	44,988	38,377
2.01.01.02	Labor obligations	206,635	161,001
2.01.02	Trade payables	1,558,784	1,615,587
2.01.02.01	Domestic suppliers	1,558,784	1,615,587
2.01.03	Tax obligations	121,243	96,731
2.01.03.01	Federal tax obligations	69,891	48,175
2.01.03.01.01	Income tax and social contribution payable	151	81
2.01.03.01.02	Other federal tax obligations	69,740	48,094
2.01.03.02	State tax obligations	49,420	45,278
2.01.03.03	Municipal tax obligations	1,932	3,278
2.01.04	Borrowing	231,775	132,581
2.01.04.01	Borrowing	169,324	132,581
2.01.04.01.01	In local currency	169,324	132,581
2.01.04.02	Debentures	62,451	0
2.01.04.02.01	Debentures	62,451	0
2.01.05	Other obligations	235,320	118,904
2.01.05.02	Other	235,320	118,904
2.01.05.02.01	Dividends and interest on capital	131,373	25,934
2.01.05.02.04	Rentals	61,548	56,297
2.01.05.02.05	Other payables	42,399	36,673
2.01.06	Provision	17,931	21,503
2.01.06.01	Provision for tax, social security, labor and civil contingencies	4,135	93
2.01.06.01.01	Tax provision	93	93
2.01.06.01.05	Provision for legal claims	4,042	0
2.01.06.02	Other provisions	13,796	21,410
2.01.06.02.04	Provisions for sundry obligations	13,796	21,410
2.02	Non-current liabilities	781,109	538,664
2.02.01	Borrowing	486,715	281,387
2.02.01.01	Borrowing	236,780	281,387
2.02.01.01.01	In local currency	236,780	281,387
2.02.01.02	Debentures	249,935	0
2.02.01.02.01	Debentures	249,935	0
2.02.02	Other obligations	69,349	61,499
2.02.02.01	Payables to related parties	52,515	45,228
2.02.02.01.04	Payables to other related parties	52,515	45,228
2.02.02.02	Other	16,834	16,271
2.02.02.02.03	Tax recovery program (REFIS)	16,834	16,271
2.02.03	Deferred taxes	217,650	193,187
2.02.03.01	Deferred income tax and social contribution	217,650	193,187
2.02.04	Provision	7,395	2,591
2.02.04.01	Provision for tax, social security, labor and civil contingencies	7,395	2,591
2.02.04.01.05	Provision for legal claims	7,395	2,591
2.03	Consolidated equity	3,112,051	2,935,955
2.03.01	Paid-up share capital	1,808,639	1,808,639
2.03.02	Capital reserves	148,039	138,553
2.03.03	Revaluation reserves	12,243	12,383
2.03.04	Revenue reserves	919,118	980,442
2.03.04.01	Legal reserve	64,839	64,839
2.03.04.02	Statutory reserve	854,279	854,279
2.03.04.08	Proposed additional dividends	0	61,324
2.03.05	Retained earnings (accumulated deficit)	226,619	0
2.03.06	Carrying value adjustments	-30,230	-30,230
2.03.09	Noncontrolling interests	27,623	26,168

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

## Consolidated financial information/statement of income

(R\$ thousand)

Code	Description	Current quarter 7/1/2017 to 9/30/2017	Accumulated - current year 1/1/2017 to 9/30/2017	Same quarter of prior year 7/1/2016 to 9/30/2016	Accumulated - prior year 1/1/2016 to 9/30/2016
3.01	Net sales revenue	3,416,840	9,711,209	2,900,930	8,199,568
3.01.01	Gross sales revenue	3,580,025	10,190,291	3,050,164	8,621,694
3.01.02	Taxes on sales	-131,046	-369,657	-109,394	-311,942
3.01.03	Rebates	-32,139	-109,425	-39,840	-110,184
3.02	Cost of sales and/or services	-2,396,444	-6,769,468	-2,000,895	-5,617,768
3.03	Gross profit	1,020,396	2,941,741	900,035	2,581,800
3.04	Operating income/expenses	-810,693	-2,348,126	-716,529	-2,030,186
3.04.01	Selling expenses	-642,400	-1,858,442	-571,423	-1,619,899
3.04.02	General and administrative expenses	-168,293	-487,524	-145,106	-410,287
3.04.02.01	Administrative expenses	-81,533	-241,732	-74,608	-210,249
3.04.02.02	Depreciation and amortization	-86,760	-245,792	-70,498	-200,038
3.04.05	Other operating expenses	0	-2,160	0	0
3.04.05.01	Extraordinary expenses	0	-2,160	0	0
3.05	Profit before finance results and taxes	209,703	593,615	183,506	551,614
3.06	Finance results	-28,968	-87,599	-30,561	-72,386
3.06.01	Finance income	28,231	85,257	29,281	78,204
3.06.02	Finance costs	-57,199	-172,856	-59,842	-150,590
3.07	Profit before income tax and social contribution	180,735	506,016	152,945	479,228
3.08	Income tax and social contribution	-44,242	-127,551	-36,062	-115,147
3.08.01	Current	-31,391	-103,018	-22,930	-94,722
3.08.02	Deferred	-12,851	-24,533	-13,132	-20,425
3.09	Profit (loss) from continuing operations	136,493	378,465	116,883	364,081
3.11	Consolidated profit/loss for the period	136,493	378,465	116,883	364,081
3.11.01	Attributable to owners of the Company	136,060	377,397	115,844	361,126
3.11.02	Attributable to noncontrolling interests	433	1,068	1,039	2,955
3.99	Earnings per share - (Reais/share)				

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

## Consolidated financial information/statement of comprehensive income

(R\$ thousand)

<b>Code</b>	<b>Description</b>	<b>Current quarter 7/1/2017 to 9/30/2017</b>	<b>Accumulated - current year 1/1/2017 to 9/30/2017</b>	<b>Same quarter of prior year 7/1/2016 to 9/30/2016</b>	<b>Accumulated – prior year 1/1/2016 to 9/30/2016</b>
4.01	Consolidated profit for the period	136,493	378,465	116,883	364,081
4.03	Consolidated comprehensive income for the period	136,493	378,465	116,883	364,081
4.03.01	Attributable to owners of the Company	136,060	377,397	115,844	361,126
4.03.02	Attributable to noncontrolling interests	433	1,068	1,039	2,955



(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## Consolidated financial information/statement of cash flow - indirect method

(R\$ thousand)

<b>Code</b>	<b>Description</b>	<b>Accumulated - current year 1/1/2017 to 9/30/2017</b>	<b>Accumulated - prior year 1/1/2016 to 9/30/2016</b>
6.01	Net cash provided by operating activities	411,360	365,444
6.01.01	Cash from operations	833,168	724,529
6.01.01.01	Profit before income tax and social contribution	506,016	479,229
6.01.01.02	Depreciation and amortization	245,792	200,038
6.01.01.03	Share-based compensation plan	9,509	7,851
6.01.01.04	Interest on additional stock option	7,287	4,607
6.01.01.05	Result on disposal of property and equipment and intangible assets	4,656	6,359
6.01.01.06	Provision for legal claims	7,866	4,084
6.01.01.07	(Reversal) provision for inventory losses	1,952	-6,785
6.01.01.08	Provision for impairment of trade receivables	1,726	187
6.01.01.09	(Reversal) provision for store closures	-2,340	-938
6.01.01.10	Interest expenses	50,581	29,897
6.01.01.11	Amortization of transaction cost of debentures	123	0
6.01.02	Changes in assets and liabilities	-312,291	-249,757
6.01.02.01	Trade receivables and other receivables	-129,257	-123,160
6.01.02.02	Inventory	-191,178	-287,127
6.01.02.03	Other current assets	19,003	-63,059
6.01.02.04	Long term receivables	-15,223	-675
6.01.02.05	Trade payables	-44,775	122,323
6.01.02.06	Salaries and social charges	52,245	74,050
6.01.02.07	Taxes and contributions	-7,953	10,274
6.01.02.08	Other liabilities	-405	10,056
6.01.02.09	Rentals payable	5,252	7,561
6.01.03	Other	-109,517	-109,328
6.01.03.01	Interest paid	-17,694	-16,404
6.01.03.02	Income tax and social contribution paid	-91,823	-92,924
6.02	Net cash used in investing activities	-479,726	-354,378
6.02.01	Purchases of property and equipment and intangible assets	-480,329	-354,814
6.02.02	Proceeds from sale of property and equipment	603	436
6.03	Net cash used in financing activities	186,297	-21,290
6.03.01	Borrowing	393,960	141,990
6.03.02	Repayments of borrowing	-122,448	-91,788
6.03.03	Interest on capital and dividends paid	-85,215	-71,492
6.05	Increase (decrease) in cash and cash equivalents	117,931	-10,224
6.05.01	Cash and cash equivalents at the beginning of the period	276,632	266,051
6.05.02	Cash and cash equivalents at the end of the period	394,563	255,827

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## Consolidated financial information/statement of changes in equity - 1/1/2017 to 9/30/2017

(R\$ thousand)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity	Noncontrolling interests	Consolidated equity
5.01	Opening balance	1,808,639	138,553	992,825	0	-30,230	2,909,787	26,168	2,935,955
5.03	Adjusted opening balance	1,808,639	138,553	992,825	0	-30,230	2,909,787	26,168	2,935,955
5.04	Equity transactions with owners	0	9,486	-61,324	-150,918	0	-202,756	387	-202,369
5.04.07	Interest on capital	0	0	0	-151,000	0	-151,000	0	-151,000
5.04.08	Interest on capital of 2017 approved at the AGM of March 29, 2017	0	0	-61,324	0	0	-61,324	0	-61,324
5.04.09	Interest on capital prescribed	0	0	0	82	0	82	0	82
5.04.10	Restricted share plan - Vesting period	0	9,486	0	0	0	9,486	0	9,486
5.04.11	Restricted share plan - Delivery	0	-4,863	0	0	0	-4,863	0	-4,863
5.04.12	Goodwill on sale of shares	0	1,382	0	0	0	1,382	0	1,382
5.04.13	Treasury shares – Delivery	0	3,481	0	0	0	3,481	0	3,481
5.04.14	Noncontrolling interest in investment acquired	0	0	0	0	0	0	387	387
5.05	Total comprehensive income	0	0	0	377,397	0	377,397	1,068	378,465
5.05.01	Profit for the period	0	0	0	377,397	0	377,397	1,068	378,465
5.06	Internal changes in equity	0	0	-140	140	0	0	0	0
5.06.02	Realization of revaluation reserve	0	0	-212	212	0	0	0	0
5.06.03	Taxes on realization of revaluation reserve	0	0	72	-72	0	0	0	0
5.07	Closing balance	1,808,639	148,039	931,361	226,619	-30,230	3,084,428	27,623	3,112,051

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## Consolidated financial information/statement of changes in equity - 1/1/2016 to 9/30/2016

(R\$ thousand)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity	Noncontrolling interests	Consolidated equity
5.01	Opening balance	1,808,639	128,767	726,633	0	-30,230	2,633,809	22,989	2,656,798
5.03	Adjusted opening balance	1,808,639	128,767	726,633	0	-30,230	2,633,809	22,989	2,656,798
5.04	Equity transactions with owners	0	10,425	-48,243	-144,645	0	-182,463	0	-182,463
5.04.07	Interest on capital	0	0	0	-144,700	0	-144,700	0	-144,700
5.04.08	Interest on capital of 2015 approved at the AGM of March 31, 2016	0	0	-48,243	0	0	-48,243	0	-48,243
5.04.09	Interest on capital prescribed	0	0	0	55	0	55	0	55
5.04.10	Restricted share plan – Vesting period	0	9,513	0	0	0	9,513	0	9,513
5.04.11	Restricted shares – Delivery	0	-890	0	0	0	-890	0	-890
5.04.12	Restricted shares – Acquisition of 4Bio	0	1,802	0	0	0	1,802	0	1,802
5.05	Total comprehensive income	0	0	0	361,126	0	361,126	2,955	364,081
5.05.01	Profit for the period	0	0	0	361,126	0	361,126	2,955	364,081
5.06	Internal changes in equity	0	0	-140	140	0	0	0	0
5.06.02	Realization of revaluation reserve	0	0	-211	211	0	0	0	0
5.06.03	Taxes on realization of revaluation reserve	0	0	71	-71	0	0	0	0
5.07	Closing balance	1,808,639	139,192	678,250	216,621	-30,230	2,812,472	25,944	2,838,416

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## Consolidated financial information/statement of value added

(R\$ thousand)

<b>Code</b>	<b>Description</b>	<b>Accumulated - current year 1/1/2017 to 9/30/2017</b>	<b>Accumulated - prior year 1/1/2016 to 9/30/2016</b>
7.01	Revenue	10,079,633	8,511,499
7.01.01	Sales of products and services	10,080,898	8,511,508
7.01.02	Other income	461	178
7.01.04	Provision for/reversal of impairment of trade receivables	-1,726	-187
7.02	Inputs acquired from third parties	-6,701,572	-5,559,485
7.02.01	Cost of sales and services	-6,165,493	-5,087,151
7.02.02	Materials, energy, outsourced services and other	-533,322	-466,828
7.02.03	Impairment/recovery of assets	-2,757	-5,506
7.03	Gross value added	3,378,061	2,952,014
7.04	Retentions	-245,792	-200,038
7.04.01	Depreciation, amortization and depletion	-245,792	-200,038
7.05	Net value added generated by the entity	3,132,269	2,751,976
7.06	Value added received through transfer	85,257	78,204
7.06.02	Finance income	85,257	78,204
7.07	Total value added to distribute	3,217,526	2,830,180
7.08	Distribution of value added	3,217,526	2,830,180
7.08.01	Personnel	1,002,128	888,040
7.08.01.01	Direct remuneration	799,744	704,023
7.08.01.02	Benefits	144,836	133,402
7.08.01.03	Unemployment compensation fund	57,548	50,615
7.08.02	Taxes and contributions	1,313,624	1,142,875
7.08.02.01	Federal	375,063	334,221
7.08.02.02	State	923,393	796,725
7.08.02.03	Municipal	15,168	11,929
7.08.03	Providers of capital	523,310	435,184
7.08.03.01	Interest	171,088	149,596
7.08.03.02	Rentals	352,222	285,588
7.08.04	Stockholders and the Company	378,464	364,081
7.08.04.01	Interest on capital	151,000	144,700
7.08.04.03	Profits reinvested/loss for the period	226,397	216,426
7.08.04.04	Noncontrolling interests in retained earnings	1,067	2,955

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

## Comments on company performance

All amounts in thousands of reais unless otherwise stated

### 3Q17 EARNINGS RELEASE

São Paulo, October 26, 2017. **RD – People, Health and Well-being** (Raia Drogasil S.A. – B3: RADL3) announces today its results for the 3<sup>rd</sup> quarter of 2017 (3Q17). The quarterly information of RD was prepared in accordance to the Accounting Pronouncement 21 – Intermediate Statements as well as the standards issued by the Brazilian Securities and Exchange Commission – CVM and was reviewed by our independent auditors in accordance with Brazilian intermediate statements standards of auditing. Such information was prepared in Reais and all growth rates relate to the same period of 2016.

#### QUARTERLY HIGHLIGHTS:

- › **DRUGSTORES:** 1,554 stores in operation (54 openings and 6 closures)
- › **GROSS REVENUES:** R\$ 3.6 billion, 17.4% growth (7.6% retail same-store sales growth)
- › **GROSS MARGIN:** 28.5% of gross revenues, a 1.0 percentage point decrease
- › **EBITDA:** R\$ 296.5 million, 8.3% margin, in line vs. the 3Q16
- › **NET INCOME:** R\$ 136.5 million, 3.8% of net margin, an increase of 16.8%
- › **CASH FLOW:** R\$ 102.1 million free cash flow, R\$ 102.8 million of total cash generation

Summary	3Q16	4Q16	1Q17	2Q17	3Q17
<i>(R\$ thousand)</i>					
# of Stores - Retail + 4Bio	1,370	1,420	1,457	1,506	1,554
Store Openings	53	62	42	54	54
Store Closures	(13)	(12)	(5)	(5)	(6)
# of Stores (average)	1,347	1,394	1,435	1,485	1,533
Headcount (EoP)	28,661	29,009	28,952	30,264	31,163
Pharmacist Count (EoP)	5,393	5,515	5,561	5,773	5,977
# of Tickets (000)	47,620	49,302	48,439	51,091	52,798
Gross Revenue	3,050,163	3,205,873	3,212,406	3,397,860	3,580,024
Gross Profit	900,034	922,344	921,624	999,721	1,020,396
% of Gross Revenues	29.5%	28.8%	28.7%	29.4%	28.5%
EBITDA	254,004	235,996	244,018	301,085	296,463
% of Gross Revenues	8.3%	7.4%	7.6%	8.9%	8.3%
Adjusted Net Income	116,884	92,236	105,427	137,970	136,493
% of Gross Revenues	3.8%	2.9%	3.3%	4.1%	3.8%
Net Income	116,884	87,169	104,002	137,970	136,493
% of Gross Revenues	3.8%	2.7%	3.2%	4.1%	3.8%
Free Cash Flow	155,333	50,097	(172,734)	(47,500)	102,134

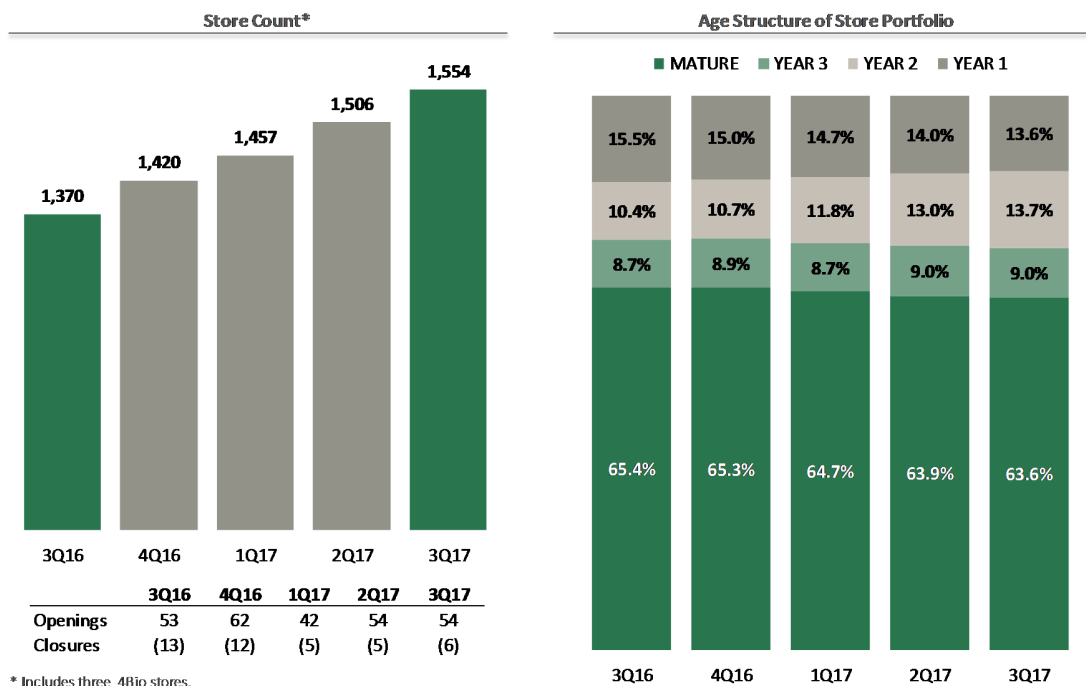
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Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## Comments on company performance

All amounts in thousands of reais unless otherwise stated

### STORE DEVELOPMENT



We opened 54 new stores in the quarter, reaching a total of 1,554 stores, including three 4Bio units. We have opened a total of 150 new stores year to date, and reiterate the gross store opening guidance of 200 new stores for 2017.

At the end of the period, 36.4% of our stores were still in the process of maturation and had not yet reached their full potential both in terms of revenue and of profitability. We ended the quarter with the highest percentage of non-mature stores recorded since the 2Q13.

We had six store closures in the quarter, four of them due to portfolio optimization of mature stores, with positive return expectations associated to them in the case of relocations, while the other two were corrections of expansion mistakes. Since the beginning of the year, we have closed a total of 16 stores.

Our average national market share reached 11.7% in the quarter (including 4Bio), a 0.6 percentage point increase when compared to the 3Q16. We have increased our market share in four of the five core regions where we operate. The Northeast was our main highlight, where we recorded a market share of 5.2%, a 1.2 percentage point increase driven by our organic expansion. We recorded a market share of 22.7% in São Paulo, a 0.4 percentage point increase, and of 7.7% in the remaining states of Southeast, a 0.3 percentage point gain. Finally, we recorded a 13.2% market share in the Midwest, a loss of 0.3 percentage point due to a very strong comp base in Brasília, since our main competitor in the region was in distress.

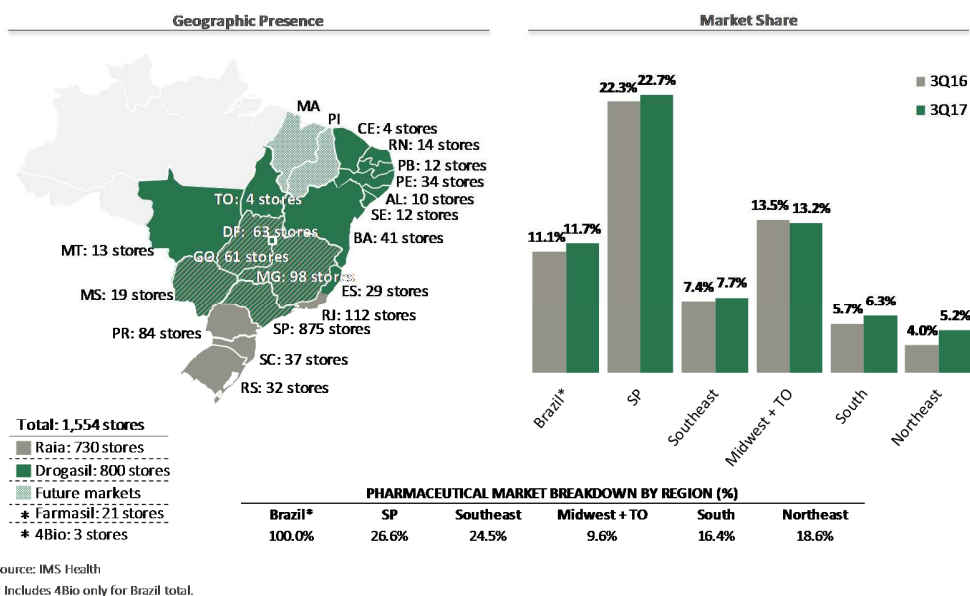
In July, we entered the state of Ceará by opening four stores in Fortaleza. We are now present in 19 states that account for 93% of the Brazilian pharmaceutical market. In the upcoming quarters, we will also enter the states of Maranhão and Piauí, which will extend our presence to all nine states in the Northeast (Bahia, Sergipe, Alagoas, Pernambuco, Paraíba, Rio Grande do Norte, Ceará, Maranhão and Piauí).

(A free translation of the original in Portuguese)

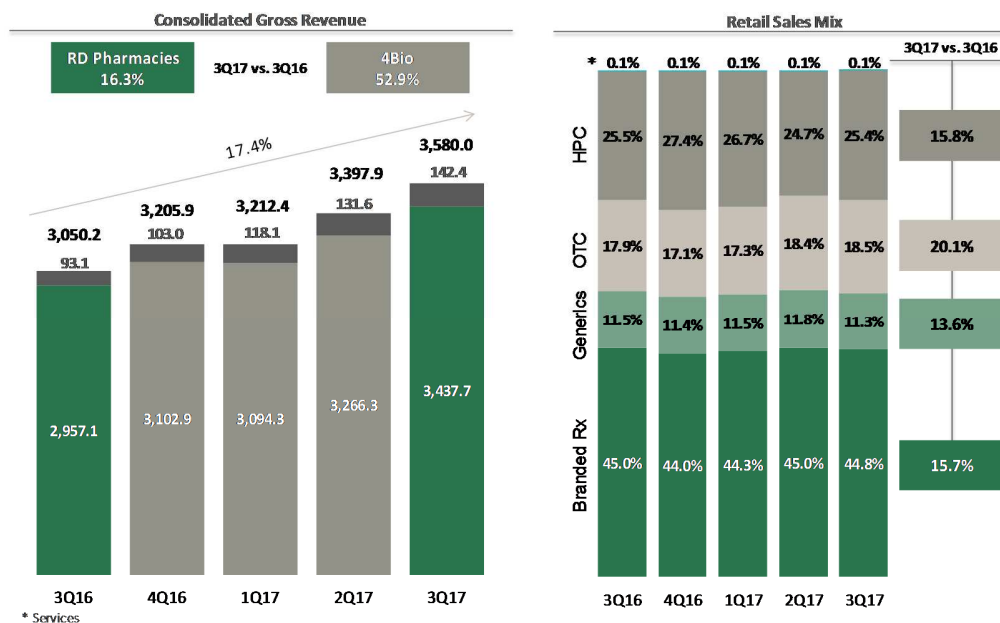
Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

### Comments on company performance

All amounts in thousands of reais unless otherwise stated



### GROSS REVENUES



We ended the 3Q17 with gross revenues of R\$ 3,580.0 million, a 17.4% increase over the previous year. Our drugstore revenues increased by 16.3%, while 4Bio grew 52.9% in the period.

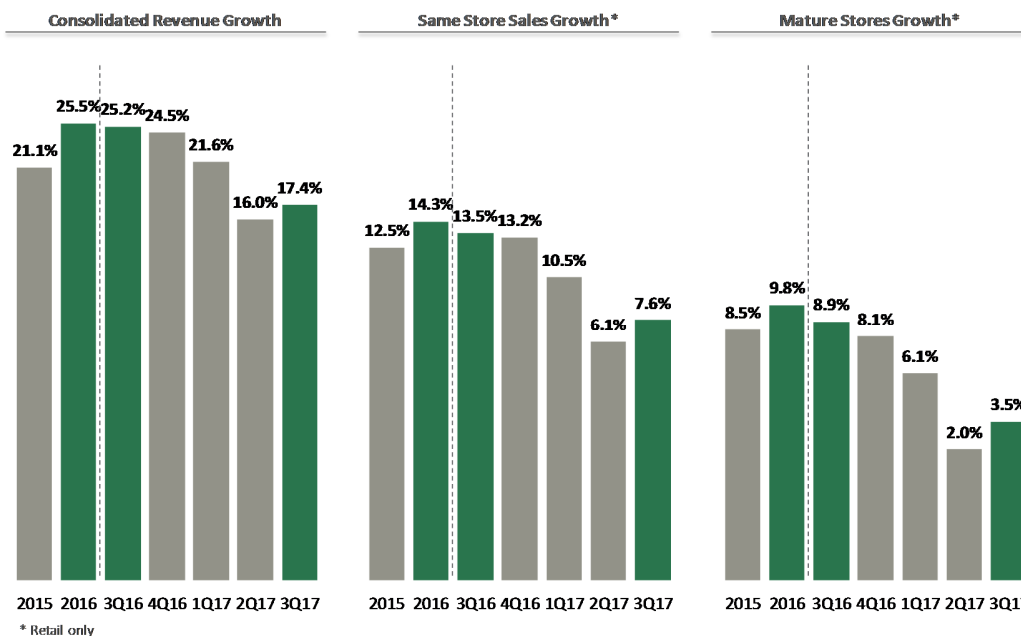
OTC was the highlight of the quarter by growing 20.1 and gaining 0.6 percentage point of participation in the sales mix, driven by a good performance in seasonal products. HPC grew 15.8%, a reduction of 0.1 percentage point in the sales mix. Branded Rx grew 15.7%, losing 0.2 percentage point of participation, while Generics grew by 13.6%, also losing 0.2 percentage point in the sales mix.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

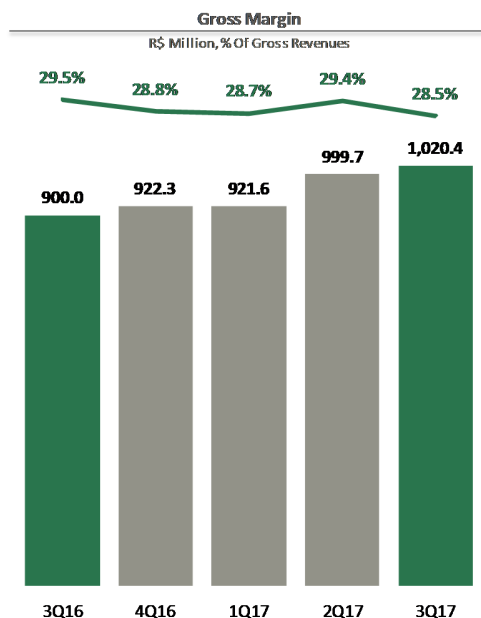
### Comments on company performance

All amounts in thousands of reais unless otherwise stated



Considering our retail operations, same store sales increased by 7.6%, while our mature stores recorded 3.5% of growth. We recorded a negative calendar effect of 0.1% for the period but benefited from a lower comp base in the 3Q16 due to the Olympic Games. Finally, the Brazilian pharmaceutical market grew by 10.8% in the last twelve months ended in September 2017, according to IMS Health, a testament to the defensive nature of our Industry.

### GROSS MARGIN



Our gross margin reached 28.5%, a 1.0 percentage point pressure versus the same period of last year. This was mainly due to the high comp base of the 3Q16, as the price cap increase of 11.8% recorded in 2016 produced a residual gain of approximately 0.7 percentage point in the quarter above the gains registered in the 3Q17. We also recorded a 0.3 percentage point margin pressure from the Net Present Value (NPV) adjustment, due to



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Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

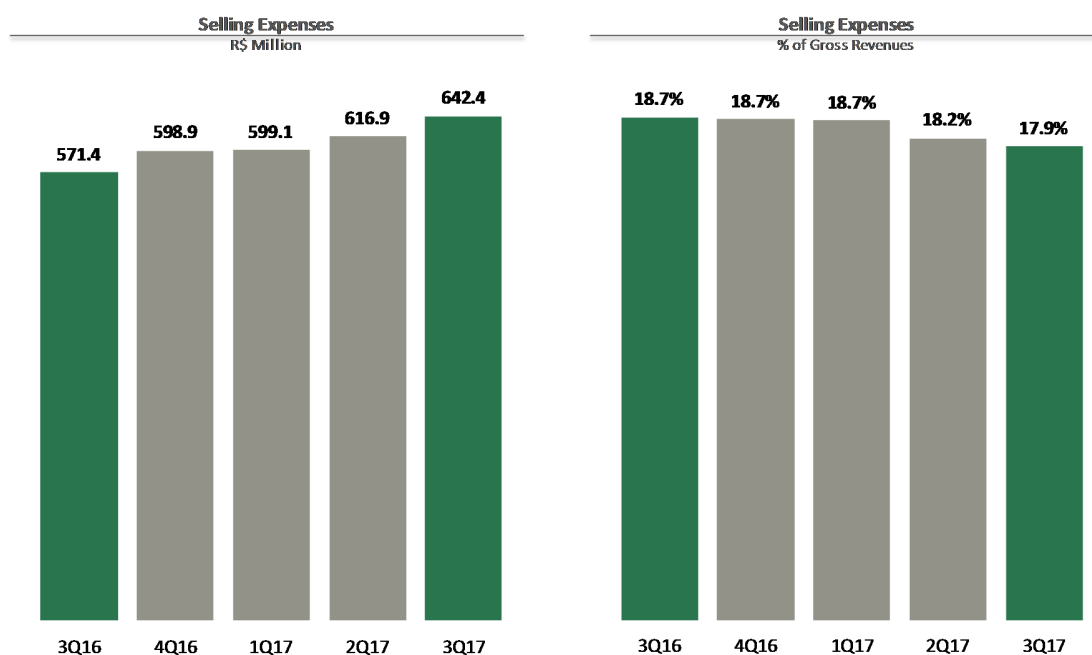
### Comments on company performance

All amounts in thousands of reais unless otherwise stated

lower interest rate versus the 3Q16, and a 0.3 percentage point pressure at 4Bio, due to its negative mix effect and gross margin pressure. These pressures were mitigated by other gains that amounted to 0.3 percentage point.

### SELLING EXPENSES

In the 3Q17, selling expenses totaled R\$ 642.4 million, equivalent to 17.9% of gross revenue, a 0.8 percentage point dilution over the 3Q16 and the lowest level recorded since the 2Q12.



The 0.8 percentage point dilution achieved in the quarter is a result of an enhanced expense control and of a very disciplined execution carried out by the company throughout the year.

Personnel expenses were diluted by 0.5 percentage point. Additionally, marketing, pre-operating expenses and other expenses recorded dilutions of 0.1 percentage point each. We also recorded a 0.1 percentage point dilution from 4Bio, which has lower selling expenses than the average for the company. Finally, these dilutions were partially offset by a pressure of 0.1 percentage point in rentals.

Sales expenses were diluted by 0.3 percentage point when compared to the 2Q17. Rental, electricity and asset write-offs were diluted by 0.1 percentage point each, while other key expenses like personnel, transportation and marketing remained flat.

### GENERAL & ADMINISTRATIVE EXPENSES

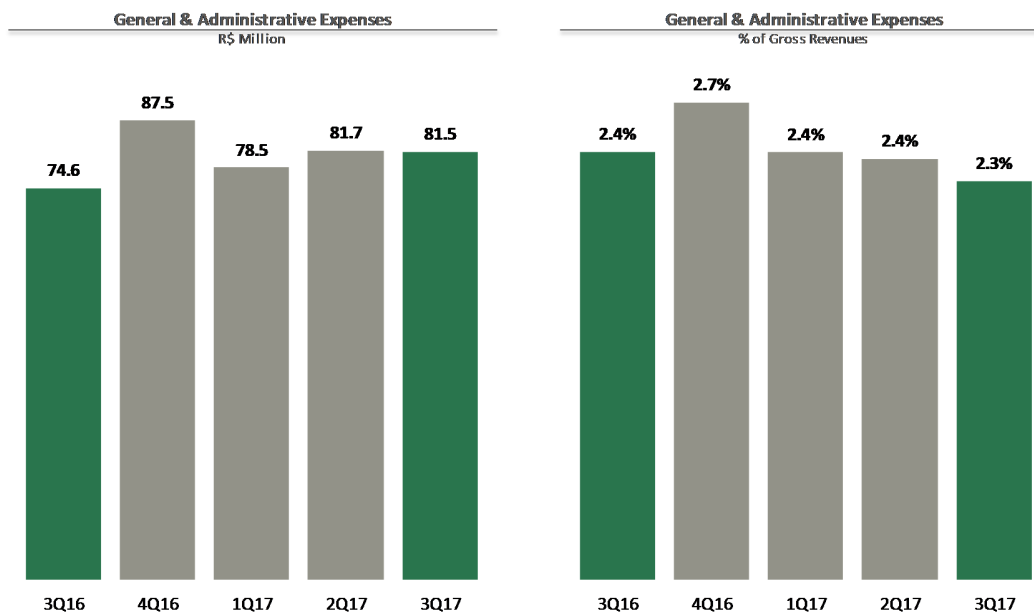
General and administrative expenses amounted to R\$ 81.5 million in the 3Q17, equivalent to 2.3% of gross revenue, a 0.1 percentage point dilution versus both the 3Q16 and the 2Q17. This expense reduction was due to a dilution of personnel expenses stemming from economies of scale.

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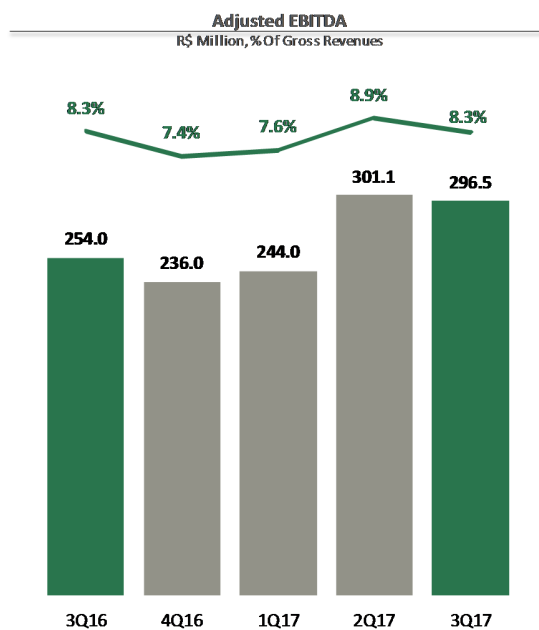
### Comments on company performance

All amounts in thousands of reais unless otherwise stated



### EBITDA

Our Adjusted EBITDA reached R\$ 296.5 million in the quarter, a 16.7% increase over the 3Q16. Our EBITDA margin totaled 8.3%, in line with the same period of last year.



Although we faced a gross margin pressure of 1.0 percentage point, mostly due to the higher comp base of the 3Q16, we were able to fully offset it through SG&A dilution, a material efficiency gain that, in contrast to the gross margin pressure, is both structural and recurring, and which is likely to support margin expansion over the next quarters.

New stores opened in the year, as well as those that were in the opening process, reduced the EBITDA by R\$ 3.0 million in the 3Q17. Therefore, considering only the 1,404 stores in operation since the end of 2016 and the full absorption of logistics as well as of general and administrative expenses by such stores, our adjusted EBITDA would have totaled R\$ 299.4 million, equivalent to an EBITDA margin of 8.8% over gross revenues.

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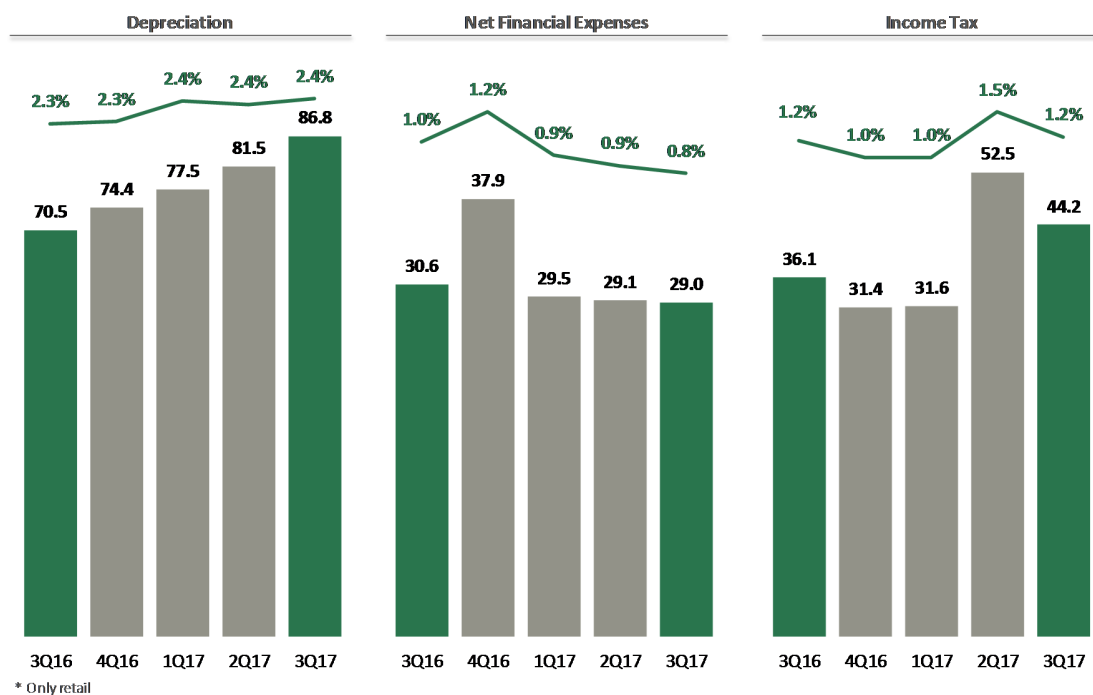
Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

### Comments on company performance

All amounts in thousands of reais unless otherwise stated

Our drugstore operations reached an EBITDA of R\$ 294.0 million and a margin of 8.6% in the 3Q17, a 0.1 percentage point expansion over the same period of last year. This margin expansion came from the expense dilution recorded in the period, which were partially offset by gross margin pressures. Finally, 4Bio reached an EBITDA of R\$ 2.5 million and margin of 1.8%, a 3.0 percentage point margin pressure due to structural gross margin pressures.

### DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES



Depreciation expenses amounted to R\$ 86.8 million in the quarter, equivalent to 2.4% of gross revenues, a 0.1 percentage point increase over 3Q16.

Financial expenses represented 0.8% of gross revenues, a 0.2 percentage point decrease over the 3Q16. Of the R\$ 29.0 million recorded in the quarter, R\$ 14.3 million refers to the NPV Adjustment while R\$ 2.6 million refers to the interest on the option to acquire 4Bio in 2021.

The interest effectively accrued on financial debt amounted to R\$ 12.1 million, equivalent to 0.3% of revenues in the 3Q17, in line with the 3Q16.

Finally, we booked R\$ 44.2 million in income taxes, equivalent to 1.2% of gross revenues.

### NET INCOME

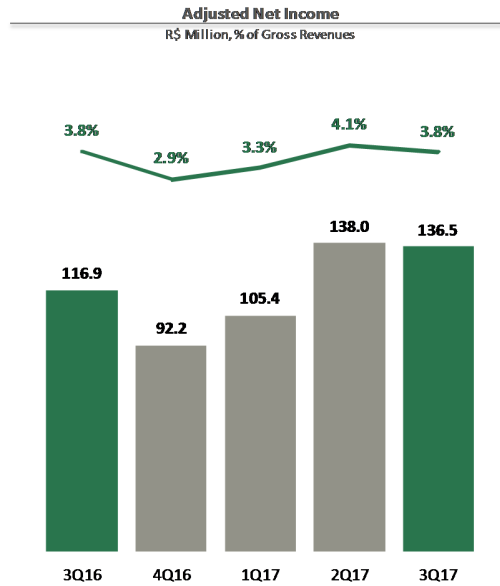
Net income totaled R\$ 136.5 million in the quarter, a 16.8% increase over the same period of the previous year. We achieved a net margin of 3.8%, in line with the 3Q16.

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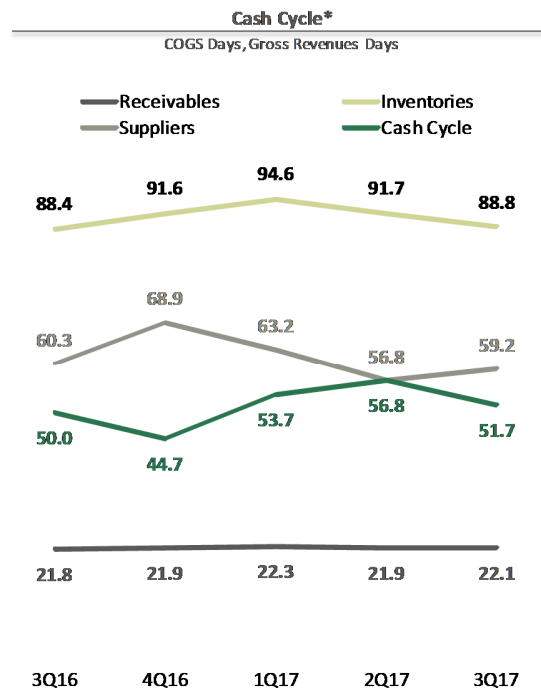
### Comments on company performance

All amounts in thousands of reais unless otherwise stated



### CASH CYCLE

Our cash cycle was 1.7 day higher when compared to the same period of the previous year. Inventories increased by 0.4 day and accounts payable decreased 1.1 day. Lastly, receivables increased 0.3 day.



\* Adjusted by discounted receivables.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## Comments on company performance

All amounts in thousands of reais unless otherwise stated

### CASH FLOW

In the 3Q17, we generated a free cash flow of R\$ 102.1 million, and a total cash flow of R\$ 102.8 million.

<b>Cash Flow</b>	<b>3Q17</b>	<b>3Q16</b>	<b>YTD '17</b>	<b>YTD '16</b>
<i>(R\$ million)</i>				
<b>Adjusted EBIT</b>	<b>209.7</b>	<b>183.5</b>	<b>595.8</b>	<b>551.6</b>
NPV Adjustment	(17.0)	(24.8)	(49.3)	(46.9)
Non-Recurring Expenses	-	-	(2.2)	-
Income Tax (34%)	(65.5)	(54.0)	(185.1)	(171.6)
Depreciation	86.8	70.5	245.8	200.0
Others	3.2	2.3	23.4	10.8
<b>Resources from Operations</b>	<b>217.1</b>	<b>177.5</b>	<b>628.4</b>	<b>543.9</b>
Cash Cycle*	30.7	80.5	(365.2)	(291.5)
Other Assets (Liabilities)**	45.7	40.9	98.4	73.2
<b>Operating Cash Flow</b>	<b>293.6</b>	<b>299.0</b>	<b>361.6</b>	<b>325.6</b>
<b>Investments</b>	<b>(191.4)</b>	<b>(143.7)</b>	<b>(479.7)</b>	<b>(354.4)</b>
<b>Free Cash Flow</b>	<b>102.1</b>	<b>155.3</b>	<b>(118.1)</b>	<b>(28.8)</b>
Interest on Equity	(0.0)	(0.0)	(85.2)	(71.5)
Income Tax Paid over Interest on Equity	(6.9)	(6.6)	(14.0)	(13.3)
Net Financial Expenses***	(14.7)	(9.4)	(42.3)	(26.9)
Income Tax (Tax benefit over financial expenses and interest on equity)	22.3	19.9	65.7	58.3
<b>Total Cash Flow</b>	<b>102.8</b>	<b>159.2</b>	<b>(193.9)</b>	<b>(82.1)</b>

\*Includes adjustments to discounted receivables.

\*\*Includes tax shield from goodwill amortization and NPV adjustments.

\*\*\*Excludes NPV adjustments.

Resources from operations amounted to R\$ 217.1 million, equivalent to 6.1% of gross revenues, while we recorded a working capital reduction of R\$ 76.5 million amounting to a positive operating cash flow of R\$ 293.6 million.

Of the R\$ 191.4 million invested in the quarter, R\$ 84.4 million corresponded to new store openings, R\$ 36.0 million to the renovation or expansion of existing stores, R\$ 38.8 million to investments in infrastructure, and another R\$ 32.2 million to the acquisition of an aircraft, which will support both our expansion and store operations with enhanced flexibility and security.

Net financial expenses totaled R\$ 14.7 million in the quarter, excluding the NPV adjustments. These were more than fully offset by the R\$ 22.3 million tax shield related to the net financial expenses and to the interest on equity accrued in the period, which shall be paid in the following quarters.

We accrued R\$ 51.0 million in interest on equity in the 3Q17, reflecting a payout of 37.4%, through the full usage of the legal interest on equity limit.

### INDEBTEDNESS

At the end of the quarter, we recorded an adjusted net debt position of R\$ 376.4 million, versus R\$ 144.0 million recorded in the same period of 2016. The Adjusted Net Debt to EBITDA totaled 0.3x, 0.1x higher than the same period of last year.

This net debt includes R\$ 52.5 million in liability related to the exercise of the put option granted and/or call option obtained for the acquisition of the remaining 45% minority stake of 4Bio. This liability reflects the estimated valuation of 4Bio as of December 2016, assuming the pre-agreed multiple, the average forecasted annual EBITDA for 2018, 2019 and 2020 and the forecasted net debt for 2020 as stipulated in the acquisition contracts. This estimate will be revisited annually to reflect changes in the economic outlook of 4Bio. Further, we had no discounted receivables recorded in the quarter.

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Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## Comments on company performance

All amounts in thousands of reais unless otherwise stated

Net Debt	3Q16	3Q17
<i>(R\$ million)</i>		
Short-term Debt	117.8	231.8
Long-term Debt	242.3	486.7
<b>Total Gross Debt</b>	<b>360.1</b>	<b>718.5</b>
(-) Cash and Equivalents	255.8	394.6
<b>Net Debt</b>	<b>104.3</b>	<b>323.9</b>
Discounted Receivables	3.5	-
Put/Call option to acquire 4Bio (estimated)	36.2	52.5
<b>Adjusted Net Debt</b>	<b>144.0</b>	<b>376.4</b>
Adjusted Net Debt / EBITDA	0.2x	0.3x

Our gross debt totaled R\$ 718.5 million, of which 56.5% corresponds to BNDES (Brazilian Economic and Social Development Bank) lines, and 43.5% correspond to the debentures issued on April 2017. Of our total debt, 67.7% is long-term, while 32.3% relates to the short-term parcels of our long-term debt. We ended the quarter with a total cash position (cash and marketable securities) of R\$ 394.6 million.

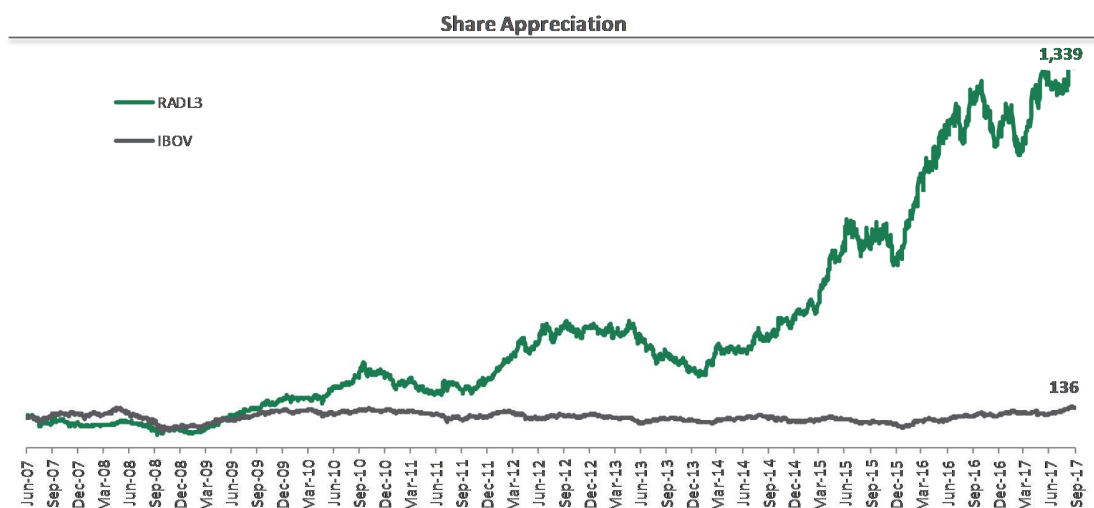
In October 25, 2017, the Company has received BNDES' consent to prepay a loan hired in October 27, 2014. The amount of the debt is approximately R\$ 64 million, which should be paid off in the next few days. This decision is in line with the Company's strategy of reducing its debt financing cost, considering the downward trends in interest rates.

## TOTAL SHAREHOLDER RETURN

Our share price appreciated by 7.2% in the 3Q17, while the Ibovespa gained 18.1% in the same period.

Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,239.3% versus a return of only 36.6% for the Ibovespa. Including the payment of interest on equity, we generated an average annual total return to shareholders of 29.2%. Considering the IPO of Raia in December of 2010, the cumulative return amounted to 615.9% versus an increase of only 9.3% of the Ibovespa. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 34.1%.

We recorded an average daily trading volume of R\$ 64.3 million in the quarter.



(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

### Comments on company performance

All amounts in thousands of reais unless otherwise stated

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<b>Consolidated Income Statement</b> <i>(R\$ thousand)</i>	<b>3Q16</b>	<b>3Q17</b>
<b>Gross Revenue</b>	<b>3,050,163</b>	<b>3,580,024</b>
Taxes, Discounts and Returns	(149,233)	(163,184)
<b>Net Revenue</b>	<b>2,900,930</b>	<b>3,416,840</b>
Cost of Goods Sold	(2,000,896)	(2,396,444)
<b>Gross Profit</b>	<b>900,034</b>	<b>1,020,396</b>
Operational (Expenses) Revenue		
Sales	(571,423)	(642,400)
General and Administrative	(74,608)	(81,533)
<b>Operational Expenses</b>	<b>(646,030)</b>	<b>(723,933)</b>
<b>EBITDA</b>	<b>254,004</b>	<b>296,463</b>
Depreciation and Amortization	(70,499)	(86,760)
<b>Operational Earnings before Financial Results</b>	<b>183,505</b>	<b>209,703</b>
Financial Expenses	(59,842)	(57,199)
Financial Revenue	29,281	28,231
<b>Financial Expenses/Revenue</b>	<b>(30,561)</b>	<b>(28,968)</b>
<b>Earnings before Income Tax and Social Charges</b>	<b>152,944</b>	<b>180,735</b>
Income Tax and Social Charges	(36,061)	(44,242)
<b>Net Income</b>	<b>116,884</b>	<b>136,493</b>

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

**Comments on company performance**

All amounts in thousands of reais unless otherwise stated

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<b>Assets</b>	<b>3Q16</b>	<b>3Q17</b>
<i>(R\$ thousand)</i>		
<b>Current Assets</b>		
Cash and Cash Equivalents	255,827	394,563
Accounts Receivable	728,661	869,801
Inventories	1,944,365	2,338,694
Taxes Receivable	115,348	83,703
Other Accounts Receivable	94,905	135,386
Following Fiscal Year Expenses	16,961	21,725
	<u>3,156,068</u>	<u>3,843,871</u>
<b>Non-Current Assets</b>		
Deposit in Court	20,281	27,947
Taxes Receivable	20,856	33,162
Other Credits	4,035	4,973
Property, Plant and Equipment	950,190	1,212,884
Intangible	1,168,422	1,186,998
	<u>2,163,783</u>	<u>2,465,964</u>
<b>ASSETS</b>	<u>5,319,851</u>	<u>6,309,835</u>



(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

### Comments on company performance

All amounts in thousands of reais unless otherwise stated

<b>Liabilities and Shareholder's Equity</b> <i>(R\$ thousand)</i>	<b>3Q16</b>	<b>3Q17</b>
<b>Current</b>		
Suppliers	1,325,004	1,558,783
Loans and Financing	117,787	231,775
Salaries and Social Charges Payable	239,457	251,623
Taxes Payable	89,000	121,243
Dividend and Interest on Equity	125,707	131,373
Provision for Lawsuits	1,396	4,042
Other Accounts Payable	112,768	117,837
	<u>2,011,119</u>	<u>2,416,676</u>
<b>Non-Current Assets</b>		
Loans and Financing	242,297	486,715
Provision for Lawsuits	2,722	7,395
Income Tax and Social Charges deferred	186,336	217,650
Other Accounts Payable	38,961	69,349
	<u>470,315</u>	<u>781,109</u>
<b>Shareholder's Equity</b>		
Common Stock	1,808,639	1,808,639
Capital Reserves	139,192	148,039
Revaluation Reserve	12,430	12,244
Income Reserves	665,820	919,117
Accrued Income	216,621	226,619
Equity Adjustments	(30,230)	(30,230)
Non Controller Interest	25,945	27,623
	<u>2,838,417</u>	<u>3,112,050</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>5,319,851</u>	<u>6,309,835</u>

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

### Comments on company performance

All amounts in thousands of reais unless otherwise stated

<b>Cash Flow</b>	<b>3Q16</b>	<b>3Q17</b>
<i>(R\$ thousand)</i>		
<b>Earnings before Income Tax and Social Charges</b>	<b>152,944</b>	<b>180,735</b>
<b>Adjustments</b>		
Depreciation and Amortization	70,499	86,760
Compensation plan with restricted shares, net	2,969	3,317
Interest over additional stock option	1,605	2,550
P,P&E and Intangible Assets residual value	5,577	1,970
Provisioned Lawsuits	1,344	(1,157)
Provisioned Inventories Loss	(1,198)	(92)
Provision for Doubtful Accounts	(665)	924
Provisioned Store Closures	(5,756)	(1,787)
Interest Expenses	11,394	18,515
Debenture Emission Costs Amortization	0	63
	<b>238,713</b>	<b>291,798</b>
<b>Assets and Liabilities variation</b>		
Clients and Other Accounts Receivable	(2,611)	(48,713)
Inventories	(166,088)	(84,042)
Other Short Term Assets	(26,782)	8,157
Long Term Assets	7,008	(4,094)
Suppliers	250,814	163,485
Salaries and Social Charges	29,841	26,735
Taxes Payable	20,854	4,927
Other Liabilities	(2,288)	(6,628)
Rent Payable	3,081	3,027
<b>Cash from Operations</b>	<b>352,542</b>	<b>354,652</b>
Interest Paid	(6,102)	(5,537)
Income Tax and Social Charges Paid	(35,108)	(39,248)
<b>Net Cash from (invested) Operational Activities</b>	<b>311,332</b>	<b>309,867</b>
<b>Investment Activities Cash Flow</b>		
P,P&E and Intangible Acquisitions	(143,653)	(191,469)
P,P&E Sale Payments	0	37
<b>Net Cash from Investment Activities</b>	<b>(143,653)</b>	<b>(191,432)</b>
<b>Financing Activities Cash Flow</b>		
Funding	61,325	0
Payments	(29,670)	(48,218)
Interest on Equity and Dividends Paid	(3)	(17)
<b>Net Cash from Funding Activities</b>	<b>31,652</b>	<b>(48,235)</b>
<b>Cash and Cash Equivalents net increase</b>	<b>199,331</b>	<b>70,200</b>
<b>Cash and Cash Equivalents in the beginning of the period</b>	<b>56,496</b>	<b>324,363</b>
<b>Cash and Cash Equivalents in the end of the period</b>	<b>255,827</b>	<b>394,563</b>

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

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### 1. Operations

Raia Drogasil S.A. (the "Company") is a publicly-held company listed on the Novo Mercado ("New Market") listing segment of the BM&FBOVESPA S.A. - São Paulo Stock Exchange, with its headquarters in the capital of the state of São Paulo.

Raia Drogasil S.A. and its subsidiary 4Bio S.A. (together "Consolidated" or "Group") are mainly engaged in the retail sale of medicines, perfumery, personal care and beauty products, cosmetics and dermocosmetics and specialty medicines.

The Group performs its sales through 1,554 stores (1,420 stores – Dec-2016), distributed in 19 Brazilian states, as follows:

	<b>Consolidated</b>
	<b>Sept-2017</b>
São Paulo	875
Rio de Janeiro	112
Minas Gerais	98
Paraná	84
Distrito Federal	63
Goiás	61
Bahia	41
Santa Catarina	37
Pernambuco	34
Rio Grande do Sul	32
Espírito Santo	29
Mato Grosso do Sul	19
Rio Grande do Norte	14
Mato Grosso	13
Paraíba	12
Sergipe	12
Alagoas	10
Ceará	4
Tocantins	4
	<hr/>
	1,554

Raia Drogasil's stores are supplied by 9 distribution centers located in seven States: São Paulo, Rio de Janeiro, Minas Gerais, Paraná, Goiás, Pernambuco and Bahia.

The subsidiary 4Bio markets its products through telesales and delivery is made directly to the customer's location or through its three call centers in the states of São Paulo and Tocantins.

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Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## **Notes to the Quarterly Information**

All amounts in thousands of reais unless otherwise stated

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### **2. Presentation of quarterly information**

The quarterly information was approved by the Executive Board on October 26, 2017.

The parent company and consolidated quarterly information is presented in thousands of Brazilian Reais (R\$), which is the Group's functional and presentation currency.

The Company's parent company and consolidated quarterly information for the periods ended September 30, 2017 and 2016 has been prepared in accordance with technical pronouncement CPC 21 (R1) – "Interim Financial Reporting", the requirements in Official Letter/CVM/SNC/SEP 003/2011 of April 28, 2011, and the International Financial Reporting Standards (IFRS) – IAS 34 and discloses all material information specific to the individual and consolidated quarterly information, which is consistent with the information used by management in managing the activities.

The financial statements for the year ended December 31, 2016 have been prepared in accordance with the accounting practices adopted in Brazil, including the rules issued by the Brazilian Securities Commission (CVM) and the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), and are in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The individual and consolidated quarterly information should be read in conjunction with the Company's financial statements for the year ended December 31, 2016.

The consolidated quarterly information includes the Company's quarterly information and the quarterly information of its subsidiary 4Bio. The consolidated quarterly information has been prepared in accordance with consolidation practices and applicable legal provisions. Therefore, the consolidated statements of income and of comprehensive income include three and nine months of operations of the Company and its Subsidiary and the statements of cash flows and of value added include nine months of operations.

The accounting practices adopted by the Company were applied uniformly and consistently with those adopted by the Subsidiary. Where applicable, all transactions, balances, income and expenses between the subsidiary and the Company are eliminated in the consolidated quarterly information.

The quarterly information includes accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies regarding provision for inventory losses, provision for the impairment of trade receivables, appreciation of financial instruments, taxes recoverable, the amortization and depreciation periods for property and equipment and intangible assets, estimate of impairment of intangible assets with indefinite useful life, provision for legal claims, fair value measurement of financial liabilities, determination of provision for taxes, recognition of revenues from commercial agreements, among others. The significant estimates and judgments are disclosed in Note 4(w) to the financial statements for the year ended December 31, 2016.

The presentation of the parent company and consolidated statements of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies. The IFRS do not require the presentation of this statement. Therefore, under the IFRS, such statement is presented as supplementary information, notwithstanding the set of the financial statements.

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Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

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The Group adopted all standards, revised standards and interpretations issued by the CPC that were effective as at September 30, 2017.

### 3. New standards, amendments to and interpretations of existing standards

#### a) New and revised accounting standards

New or revised standards issued but not yet effective, i.e., that will become effective for annual periods beginning on or after January 1st, 2018:

- (i) IFRS 9 – Financial Instruments / CPC 48 – Financial Instruments (effective from January 1st, 2018): this standard's aim is to replace IAS 39. The main changes include: (i) all financial assets should be initially recognized at fair value; (ii) the standard divides all financial assets into two classifications: those measured at amortized cost and those measured at fair value; (iii) the concept of embedded derivatives is eliminated; and (iv) smoothing of the requirements for adoption of hedge accounting. The Company's transactions subject to assessment in accordance with IFRS 9 / CPC 48 are basically investments in debentures held under repurchase agreements which are restated based on the variations of the Interbank Deposit Certificate – CDI rates (Note 11), trade receivables, comprising mostly receivables from credit and debit management charges (Note 6), and borrowing obtained from BNDES (Brazilian Economic and Social Development Bank) and the Company's issue of debentures (Note 11). Management completed the first phase of its analyses and, considering its current transactions, did not identify changes that could have significant impact on the Company's quarterly information. The process will be finalized by December 31, 2017.
- (ii) IFRS 15 - Revenue from Contracts with Customers / CPC 47 – Revenue from Contracts with Customers (effective from January 1st, 2018): the main objective of IFRS 15 is to provide clear principles for revenue recognition and the preparation of financial statements. Management assessed this new standard and, in its opinion, it will not have material effects on its quarterly information, considering the nature of its retail sale transactions and considering that the transfer of risks and rewards of goods and services occurs on their delivery directly to the end consumer at points of sale and, therefore, there is no complexity in the definition of performance obligations and transfer of control. Even so, other Company's transactions subject to assessment in accordance with IFRS 15 / CPC 47 are basically represented by commercial agreements. The Company's management also completed the first phase of its analyses and concluded that for the changes introduced in CPC 47 in comparison with CPC 30 – Revenue (accounting standard in effect), there were no changes that would require modification in the revenue recognition method. The process will be finalized by December 31, 2017.

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- (iii) IFRS 16 / CPC 6 (R2) - Leases (effective from January 1st, 2019): the new standard requires lessees to recognize the liability of future payments and the right of use of the leased assets for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may be out of the scope of this new standard. The Company's management hired an independent specialized company to assist in the identification of contracts (inventory of contracts), assessing whether it has or not lease agreements in accordance with IFRS 16 / CPC 06 (R1). The analysis is in process of evaluation of impacts, mainly in respect of lease of properties from third parties. This standard requires a careful evaluation and appropriate controls for the definition of contracts that qualify as lease. Given the complexity of the application of the standard, and until it is applied, the conclusions may be changed.
- (iv) Amendments to IFRS 2 – Share-Based Payments (effective from January 1st, 2018): The amendment clarifies the basis of measurement for cash-settled share-based payments and the accounting for modifications that change a cash-settled share based payment to an equity-settled share based payment. It also introduces an exception to the principles of IFRS 2, which will require a grant to be treated as fully equity settled where the employer is required to retain an amount for the employee's tax obligation associated to a share-based payment and pay the amount to the tax authorities. Management is evaluating the effects of these changes for new grants as from their effective date, this event is expected to occur in March 2018.
- (v) IFRIC 23 – Uncertainties related to the treatment of income tax (effective from January 1st, 2019): the interpretation clarifies how the recognition and measurement requirements of IAS 12 are applied when there are uncertainties about the treatment of income taxes (Corporate Income Tax - IRPJ and Social Contribution on Net Profit - CSLL). Management is assessing the impacts of these amendments.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

### **4. Significant accounting practices**

The accounting practices adopted for preparing this ITR are consistent with those disclosed in Note 4 to the financial statements for the year ended December 31, 2016.

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### 5. Cash and cash equivalents

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Sept-2017</u>	<u>Dec-2016</u>	<u>Sept-2017</u>	<u>Dec-2016</u>
Cash and banks	59,778	67,518	59,959	68,062
Automatic investment fund		2,936		2,936
Debentures held under repurchase agreements	321,090	202,641	334,604	205,634
	<u>380,868</u>	<u>273,095</u>	<u>394,563</u>	<u>276,632</u>

Investments in investment funds and debentures held under repurchase agreements have high liquidity and are restated based on the variations of the CDI rate, and reflect the realizable value, without risk of change in value or loss of income.

For repurchase debentures, the financial institutions which negotiated these securities guarantee credit risk and immediate liquidity without loss of income. The financial investments are concentrated substantially at Caixa Econômica Federal.

### 6. Trade receivables

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Sept-2017</u>	<u>Dec-2016</u>	<u>Sept-2017</u>	<u>Dec-2016</u>
Trade receivables	787,862	716,453	874,297	774,997
(-) Provision for impairment of trade receivables	(4,046)	(2,612)	(4,496)	(2,756)
	<u>783,816</u>	<u>713,841</u>	<u>869,801</u>	<u>772,241</u>

The ageing of trade receivables is as follows:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Sept-2017</u>	<u>Dec-2016</u>	<u>Sept-2017</u>	<u>Dec-2016</u>
Not yet due	780,906	684,445	863,096	738,319
Overdue				
Between 1 and 30 days	1,779	20,284	2,508	24,008
Between 31 and 60 days	724	7,510	1,000	7,956
Between 61 and 90 days	476	1,704	1,386	2,204
Between 91 and 180 days	3,977	2,508	4,926	2,508
Between 181 and 360 days		2	1,381	2
Provision for impairment of trade receivables	(4,046)	(2,612)	(4,496)	(2,756)
	<u>783,816</u>	<u>713,841</u>	<u>869,801</u>	<u>772,241</u>

Days sales outstanding are approximately 39 days, which is considered part of the normal conditions inherent in the Company's operations.

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The changes in the Company's provision for the impairment of trade receivables are as follows:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Sept-2017</u>	<u>Dec-2016</u>	<u>Sept-2017</u>	<u>Dec-2016</u>
Opening balance	(2,612)	(6,893)	(2,756)	(6,910)
Additions	(8,859)	(10,168)	(11,365)	(11,278)
Reversals	<u>7,425</u>	<u>14,449</u>	<u>9,625</u>	<u>15,432</u>
Closing balance	<u>(4,046)</u>	<u>(2,612)</u>	<u>(4,496)</u>	<u>(2,756)</u>

Trade receivables are classified as receivables and are therefore measured as described in Note 4d-i-3 to the financial statements for the year ended December 31, 2016.

## 7. Inventories

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Sept-2017</u>	<u>Dec-2016</u>	<u>Sept-2017</u>	<u>Dec-2016</u>
Goods for resale	2,316,308	2,100,621	2,348,721	2,131,661
Goods held by third parties		25,929		25,929
Materials	2,090	2,043	2,090	2,043
Provision for inventory losses	<u>(12,117)</u>	<u>(10,165)</u>	<u>(12,117)</u>	<u>(10,165)</u>
Total inventory	<u>2,306,281</u>	<u>2,118,428</u>	<u>2,338,694</u>	<u>2,149,468</u>

Changes in the provision for goods losses are as follows:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Sept-2017</u>	<u>Dec-2016</u>	<u>Sept-2017</u>	<u>Dec-2016</u>
Opening balance	(10,165)	(24,312)	(10,165)	(24,312)
Additions	(6,102)	(6,015)	(6,102)	(6,015)
Write-offs	<u>4,150</u>	<u>20,162</u>	<u>4,150</u>	<u>20,162</u>
Closing balance	<u>(12,117)</u>	<u>(10,165)</u>	<u>(12,117)</u>	<u>(10,165)</u>



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For the nine-month period ended September 30, 2017, cost of goods sold recognized in the statement of income was R\$ 2,279,288 (R\$ 1,927,150 – 3rd quarter/2016) for the parent company and R\$ 2,396,444 (R\$ 2,000,895 – 3rd quarter/2016) for the consolidated accounts, including the amount of the write-offs of goods inventories recognized as losses for the year amounting to R\$ 21,927 (R\$ 18,477 – 3rd quarter/2016) for the parent company and R\$ 21,969 (R\$ 18,485 – 3rd quarter/2016) for the consolidated accounts.

The effect of the recognition, reversal or write-off of the provision for inventory losses is included in cost of sales in the statement of income.

### 8. Taxes recoverable

	Parent Company		Consolidated	
	Sept-2017	Dec-2016	Sept-2017	Dec-2016
<b>Taxes on profit</b>				
Withholding Income Tax (IRRF)	2,018	537	2,018	537
Corporate Income Tax (IRPJ)	2,858	9,587	2,858	9,650
Social Contribution on Net Profit (CSLL)	978	1,826	978	1,862
	<u>5,854</u>	<u>11,950</u>	<u>5,854</u>	<u>12,049</u>
<b>Other taxes</b>				
Value Added Tax on Sales and Services (ICMS) – credit balance	66,963	75,261	67,509	75,362
ICMS – Refund of ICMS withheld in advance (CAT Ruling 17/99)	113	14,027	113	14,027
ICMS on acquisitions of fixed assets	41,102	29,871	41,102	29,871
Social Integration Program (PIS)				10
Social Contribution on Revenue (COFINS)		2,807		2,856
Social Investment Fund - 1982 - securities issued to cover court-ordered debts	561	561	561	561
	<u>108,739</u>	<u>122,527</u>	<u>109,285</u>	<u>122,687</u>
	<u>114,593</u>	<u>134,477</u>	<u>115,139</u>	<u>134,736</u>
Current assets	<u>(83,157)</u>	<u>(111,513)</u>	<u>(83,703)</u>	<u>(111,772)</u>
Non-current assets	<u>31,436</u>	<u>22,964</u>	<u>31,436</u>	<u>22,964</u>

The ICMS credits amounting to R\$ 66,963 and R\$ 113 (R\$ 75,261 and R\$ 14,027 Dec-2016) for the parent company are the result of applying different ICMS rates and of refunds of ICMS-ST (the substitute taxpayer regime) on goods receiving and shipping operations carried out by the Company's distribution centers in the states of São Paulo, Paraná and Pernambuco, in order to supply its branches located in other Brazilian states. The respective credits have been progressively consumed in the last months, mainly due to goods that are not under the substitute taxpayer regime.

The Group analyzed the use of ICMS credits and concluded that the tax credit balances will be used within 12 months.

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### 9. Investments

#### (a) Business combinations

In 2015, the Company acquired a 55% equity interest in 4Bio Medicamentos S.A. ("4Bio") and obtained its control on October 1, 2015.

The Agreement establishes the granting of call and put options for all the remaining shares held by the founding stockholder after January 2021, and the exercise price will be calculated based on the average of the adjusted EBITDA of 4Bio for the years ending December 31, 2018, 2019 and 2020 the fair value of which at September 30, 2017 corresponds to R\$ 52,515 (R\$ 45,228 - Dec-2016).

Financial liabilities arising from the purchase option were recognized separately from the consideration transferred, through the adoption of the access method, in which the non-controlling interest is already recognized, since the non-controlling stockholder is exposed to risks and has access to the returns associated with their participation, against "carrying value adjustments" in equity.

The fair value of the additional stock option recorded in Parent Company and Consolidated, of R\$ 52,515 (R\$ 45,228 - Dec-2016) is classified as Level 3 in the fair value hierarchy. The main fair value measurements have as reference: (i) a discount rate of 22.04% in Dec-2016 (19.89% - Dec-2015), (ii) an average growth rate of EBITDA of 27.4% in Dec-2016, considering the average of the EBITDAs projected for 2018 to 2020 and the multiple provided for in contract.

The goodwill of R\$ 25,563 arising from the acquisition represents the future economic benefits expected from the business combination.

#### (b) Changes in investments

At September 30, 2017, the Company's investment balance is as follows:

<u>Company name</u>	<u>Main activity</u>	<u>Interest (%)</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
4Bio Medicamentos S.A.	Retail of special medicines	55%	31,200	29,150

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Changes in the investment balance in the subsidiary, presented in the parent company quarterly information, are as follows:

	Parent Company	
	Sept-2017	Sept-2016
At January 1	29,424	23,497
Increase in equity interest in subsidiary	471	
Equity in the results of investees	1,305	3,613
Adjustment to purchase price		2,040
At September 30	31,200	29,150

For the purposes of calculating the equity of 4Bio Medicamentos S.A., the Company has adjusted the assets, liabilities and related changes in the statement of income of 4Bio based on the allocation of purchase price at the acquisition date. The table below shows the effects on the profit for the period of 4Bio for the purposes of determining the equity at September 30, 2017:

	Parent Company	
	Sept-2017	Sept-2016
Result of 4Bio (nine-month period)	1,735	4,092
Amortization of surplus arising from the business combination	(430)	(479)
Adjusted profit of 4Bio	1,305	3,613
<b>Adjusted equity</b>	<b>Sept-2017</b>	<b>Sept-2016</b>
Investment at book value (55%)	14,723	12,098
Allocation of the purchase price (surplus of assets)	5,410	6,280
Deferred income tax liability on allocation adjustments	(1,840)	(2,135)
	18,293	16,243
Goodwill based on expected future profitability	12,907	12,907
	31,200	29,150

### (c) Subsidiary's dividend

In conformity with Art. 202 of Law 6,404/76 and the Company's bylaws, a mandatory minimum dividend of 10% of the adjusted profit for the year was calculated and recorded.

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### 10. Property and equipment and intangible assets

#### I. Property and equipment

Changes in the parent company's property and equipment are as follows:

							2017	2016	
	Land	Buildings	Furniture, fittings and facilities	Machinery and equipment	Vehicles	Leasehold improvements	Store renovation and modernization	Total	Total
<b>Cost</b>									
At January 1	27,440	41,917	501,042	300,919	23,224	766,487	3,863	1,664,892	1,320,197
Additions			110,129	51,886	37,217	205,495		404,727	307,204
Disposals and write-offs			(5,265)	(2,564)	(1,486)	(61,749)		(71,064)	(56,204)
Provision (reversal) for store closures			2,192	1,814		(618)		3,388	1,181
At September 30	<u>27,440</u>	<u>41,917</u>	<u>608,098</u>	<u>352,055</u>	<u>58,955</u>	<u>909,615</u>	<u>3,863</u>	<u>2,001,943</u>	<u>1,572,378</u>
<b>Accumulated depreciation</b>									
Average annual depreciation rates (%)		2.5 – 2,7	7.4 – 10	7.1 – 15,8	20.0 – 23.7	17.0 – 21.6	20,0		
At January 1		(19,872)	(173,655)	(128,644)	(14,378)	(320,186)	(3,266)	(660,001)	(518,914)
Additions		(835)	(38,279)	(31,956)	(2,932)	(121,928)	(399)	(196,329)	(154,500)
Disposals and write-offs			3,589	2,377	1,207	58,787		65,960	50,911
Provision (reversal) for store closures			(919)	(809)		680		(1,048)	(520)
At September 30		<u>(20,707)</u>	<u>(209,264)</u>	<u>(159,032)</u>	<u>(16,103)</u>	<u>(382,647)</u>	<u>(3,665)</u>	<u>(791,418)</u>	<u>(623,023)</u>
<b>Net balance</b>									
At January 1	27,440	22,045	327,387	172,275	8,846	446,301	597	1,004,891	801,283
At September 30	<u>27,440</u>	<u>21,210</u>	<u>398,834</u>	<u>193,023</u>	<u>42,852</u>	<u>526,968</u>	<u>198</u>	<u>1,210,525</u>	<u>949,355</u>

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Changes in the consolidated property and equipment are as follows:

							2017	2016	
	Land	Buildings	Furniture, fittings and facilities	Machinery and equipment	Vehicles	Leasehold improvements	Store renovation and modernization	Total	Total
<b>Cost</b>									
At January 1	27,440	41,917	501,929	301,725	23,511	767,229	3,863	1,667,614	1,321,657
Additions			110,345	52,196	37,183	205,945		405,669	307,509
Disposals and write-offs			(5,265)	(2,564)	(1,486)	(61,749)		(71,064)	(56,204)
Provision (reversal) for store closures									
At September 30	<u>27,440</u>	<u>41,917</u>	<u>609,201</u>	<u>353,171</u>	<u>59,208</u>	<u>910,808</u>	<u>3,863</u>	<u>2,005,608</u>	<u>1,574,143</u>
<b>Accumulated depreciation</b>									
Average annual depreciation rates (%)		2.5 – 2.7	7.4 – 10	7.1 – 15.8	20 – 23.7	17 – 21.6	20		
At January 1		(19,872)	(173,916)	(128,970)	(14,596)	(320,388)	(3,266)	(661,008)	(519,672)
Additions		(835)	(38,349)	(32,063)	(2,912)	(122,070)	(399)	(196,628)	(154,673)
Disposals and write-offs			3,589	2,377	1,207	58,787		65,960	50,912
Provision (reversal) for closing of stores			(919)	(809)		680		(1,048)	(520)
At September 30		<u>(20,707)</u>	<u>(209,595)</u>	<u>(159,465)</u>	<u>(16,301)</u>	<u>(382,991)</u>	<u>(3,665)</u>	<u>(792,724)</u>	<u>(623,953)</u>
<b>Net balance</b>									
At January 1	27,440	22,045	328,013	172,755	8,915	446,841	597	1,006,606	801,985
At September 30	<u>27,440</u>	<u>21,210</u>	<u>399,606</u>	<u>193,706</u>	<u>42,907</u>	<u>527,817</u>	<u>198</u>	<u>1,212,884</u>	<u>950,190</u>

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### II. Intangible assets

Changes in the Company's intangible assets are as follows:

	2017							2016	
	Points of sale	Software license and systems implementation	Goodwill on business acquisition (Vison Ltda)	Goodwill on business acquisition (Raia S.A.)	Trademarks	Customer portfolio	Other intangible assets	Total	Total
<b>Cost</b>									
At January 1	245,813	80,305	22,275	780,084	151,700	41,700	6,129	1,328,006	1,331,261
Additions	35,750	26,186					403	62,339	46,572
Disposals and write-offs	(23,763)	(4,635)					(168)	(28,566)	(60,074)
Provision (reversal) for store closures		(2)						(2)	534
At September 30	<u>257,800</u>	<u>101,854</u>	<u>22,275</u>	<u>780,084</u>	<u>151,700</u>	<u>41,700</u>	<u>6,364</u>	<u>1,361,777</u>	<u>1,318,293</u>
<b>Accumulated amortization</b>									
Average annual amortization rates (%)	17.0 – 23.4	20	Indefinite useful life	Indefinite useful life	Indefinite useful life	6.7 - 25	20		
At January 1	(120,982)	(30,181)	(2,387)			(37,177)		(190,727)	(200,858)
Additions	(33,698)	(13,847)				(345)		(47,890)	(44,031)
Disposals and write-offs	23,423	4,603						28,026	58,104
Provision (reversal) for store closures		1						1	(258)
At September 30	<u>(131,257)</u>	<u>(39,424)</u>	<u>(2,387)</u>			<u>(37,522)</u>		<u>(210,590)</u>	<u>(187,043)</u>
<b>Net balance</b>									
At January 1	124,831	50,124	19,888	780,084	151,700	4,523	6,129	1,137,279	1,130,403
At September 30	<u>126,543</u>	<u>62,430</u>	<u>19,888</u>	<u>780,084</u>	<u>151,700</u>	<u>4,178</u>	<u>6,364</u>	<u>1,151,187</u>	<u>1,131,250</u>

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Changes in the consolidated intangible assets are as follows:

												2017	2016
	Points of sale	Software license and systems implementation	Goodwill on business acquisition (Vison Ltda)	Goodwill on business acquisition (Raia S.A.)	Goodwill on business acquisition (4BIO)	Raia S.A. brands	4BIO brands	Raia S.A. customers portfolio	4BIO customer relationship	4BIO distribution channel	Other intangible assets	Total	Total
<b>Cost</b>													
At January 1	245,813	80,720	22,275	780,084	25,563	151,700	5,069	41,700	7,928	535	6,197	1,367,584	1,368,746
Additions	35,750	26,477									403	62,630	48,645
Disposals and write-offs	(23,763)	(4,635)									(168)	(28,566)	(60,074)
Provision (reversal) for store closures		(2)										(2)	534
At September 30	<u>257,800</u>	<u>102,560</u>	<u>22,275</u>	<u>780,084</u>	<u>25,563</u>	<u>151,700</u>	<u>5,069</u>	<u>41,700</u>	<u>7,928</u>	<u>535</u>	<u>6,432</u>	<u>1,401,646</u>	<u>1,357,851</u>
<b>Accumulated amortization</b>													
Average annual amortization rates (%)	17 - 23,4	20	Indefinite useful life	Indefinite useful life	Indefinite useful life	Indefinite useful life	20	6,7 - 25	7	0,3	20		
At January 1	(120,982)	(30,404)	(2,387)				(1,267)	(37,177)	(708)	(535)	(68)	(193,528)	(201,874)
Additions	(33,698)	(13,919)					(760)	(345)	(425)			(49,147)	(45,402)
Disposals and write-offs	23,423	4,603										28,026	58,105
Provision (reversal) for store closures		1										1	(258)
At September 30	<u>(131,257)</u>	<u>(39,719)</u>	<u>(2,387)</u>				<u>(2,027)</u>	<u>(37,522)</u>	<u>(1,133)</u>	<u>(535)</u>	<u>(68)</u>	<u>(214,648)</u>	<u>(189,429)</u>
<b>Net balance</b>													
At January 1	<u>124,831</u>	<u>50,316</u>	<u>19,888</u>	<u>780,084</u>	<u>25,563</u>	<u>151,700</u>	<u>3,802</u>	<u>4,523</u>	<u>7,220</u>		<u>6,129</u>	<u>1,174,056</u>	<u>1,166,872</u>
At September 30	<u>126,543</u>	<u>62,841</u>	<u>19,888</u>	<u>780,084</u>	<u>25,563</u>	<u>151,700</u>	<u>3,042</u>	<u>4,178</u>	<u>6,795</u>		<u>6,364</u>	<u>1,186,998</u>	<u>1,168,422</u>

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### **(i) Goodwill on acquisition of companies**

The goodwill arising on acquisition of companies is tested annually for impairment.

#### **Goodwill on acquisition of Drogeria Vison Ltda.**

Goodwill of R\$ 19,888 relates to the acquisition of Drogeria Vison Ltda. on February 13, 2008, which was merged into the Company from June 30, 2008.

The goodwill is based on the expected future profitability, as assessed by an independent expert, and was amortized from April to December 2008. As provided for in CPC Guidance (OCPC) 02, beginning in 2009, goodwill is no longer amortized, but is tested annually for impairment.

#### **Goodwill on acquisition of Raia S.A.**

The Company recorded goodwill of R\$ 780,084 arising from the business combination with Raia S.A., which occurred on November 10, 2011, based on the expected future profitability arising from the difference between the amounts of assets assigned and received.

#### **Goodwill on acquisition of 4Bio Medicamentos S.A.**

The Company recorded goodwill of R\$ 25,563 arising from the business combination with 4Bio Medicamentos S.A., which occurred on October 1st, 2015, whose amount was supplemented by the final adjustment of the price at March 31, 2016 of R\$ 2,040, which is based on the expected future profitability arising from the difference between the amounts of assets assigned and received.



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### 11. Borrowing

Borrowing for acquisition of:	Average annual long-term interest rate	Parent Company		Consolidated	
		Sept-2017	Dec-2016	Sept-2017	Dec-2016
<b>BNDES – Sub-loan</b>					
Businesses	TJLP + 2.51% (+ 2.75% - Dec/2016) p.a.	147,907	163,895	147,907	163,895
Businesses	SELIC + 2.47% (+ 2.50% - Dec/2016) p.a.	138,766	128,350	138,766	128,350
Machinery, equipment and vehicles	Fixed rate + 3.40% (3.10% - Dec/2016) p.a.	1,547	4,658	1,547	4,658
Machinery, equipment and vehicles	TJLP + 2.02% (+ 2.02% - Dec/2016) p.a.	17,835	12,456	17,835	12,456
Machinery, equipment and vehicles	PSI + 8.68% (8.62% - Dec/2016) p.a.	6,241	8,087	6,241	8,087
Machinery, equipment and vehicles	Selic + 2.42%	74		74	
Working capital	SELIC + 2.66% (+ 2.70% - Dec/2016) p.a.	90,564	92,135	90,564	92,135
Other		3,170	3,610	3,170	3,610
<b>Debentures</b>					
1st issue of debentures	104.75% of CDI	312,386		312,386	
<b>Borrowing</b>					
Other					777
		<u>718,490</u>	<u>413,191</u>	<u>718,490</u>	<u>413,968</u>
Current liabilities		<u>(231,775)</u>	<u>(131,804)</u>	<u>(231,775)</u>	<u>(132,581)</u>
Non-current liabilities		<u>486,715</u>	<u>281,387</u>	<u>486,715</u>	<u>281,387</u>

Borrowing from the BNDES is used for the expansion of stores, acquisition of machinery/equipment, vehicles and also to finance the Company's working capital.

The subloans Social Project, Development of Own Brand and Acquisition of National *Software* are grouped in the line of other. Part of the Company's borrowing from BNDES has been taken out in the form of sub-loans, totaling R\$ 406,104 (R\$ 413,191 - Dec/2016), subject to the following restrictive covenants:

- (i) Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) margin (EBITDA/Net operating revenue): equal to or higher than 3.6% and
- (ii) Total net debt/Total assets: equal to or lower than 20%.

Covenants are measured annually and, at September 30, 2017 and December 31, 2016, the Company was in compliance with these covenants.

If these requirements were not met, the Company would have to provide BNDES with bank guarantees to ensure the performance of its obligations under the agreement.

The Group is not a party to any agreements containing non-financial covenants.

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Non-current amounts mature as follow:

	<b>Parent company and consolidated</b>
	<b>Sept-2017</b>
2018	88,071
2019	164,526
2020	121,231
2021 and thereafter	112,887
	<u>486,715</u>

### Characteristics of the Debentures

<u>Type of issue</u>	<u>Issue amount</u>	<u>Quantity outstanding</u>	<u>Issue</u>	<u>Maturity</u>	<u>Annual charges</u>	<u>Unit price</u>
1st issue – single series	R\$ 300,000	30,000	4/19/2017	2017 - 2022	104.75%	10

On April 19, 2017, the 1st issue of 30,000 simple, nonconvertible, unregistered, single series, debentures was carried out, in the total amount of R\$ 300,000, yielding 104.75% of the CDI. The debentures were used by the Company as an instrument to strengthen its working capital.

The debentures have maturity of 60 months, counted from their issue date, therefore April 19, 2022, except for the hypotheses of Early Redemption according to clauses contained in the debenture issue indenture.

The costs incurred on the issue of the Company's debentures, including fees, commissions and other costs, totaled R\$ 1,224 and are classified in the line item of the respective debentures and are recognized over the total period of the debt. At September 30, 2017, the amount to be recognized was R\$ 159, and is presented net in the debentures balance.

The amortization of the principal will occur in 9 semiannual consecutive installments, the first of which as from the 12nd month after the issue. The remuneration will be paid on a semiannual basis, and the first payment is due on October 19, 2017 and the other payments always on April 19 and October 19 of each year, until the maturity date.

The Company's debentures are conditioned to the compliance with the following covenants:

(i) Net Debt / EBITDA: cannot exceed 3.0 times.

Covenants are measured quarterly and, at September 30, 2017, the Company was in compliance with these covenants.

The non-compliance with the covenants for two consecutive quarters can be considered as a default event and consequently result in early maturity.

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### 12. Provision for contingencies and judicial deposits

The Company and its subsidiary are subject to legal claims (tax, civil and labor) arising in the normal course of business. Management, supported by the opinion of its legal advisors and, where applicable, by specific opinions issued by experts, assesses the probable final outcomes of ongoing litigation and determines whether or not setting up provision for contingencies is necessary.

At September 30, 2017 and December 31, 2016, the Group had the following provision and corresponding judicial deposits relating to legal proceedings:

	Parent Company		Consolidated	
	Sept-2017	Dec-2016	Sept-2017	Dec-2016
Labor and social security	23,970	16,449	23,970	16,449
Tax	867	655	867	655
Civil	561	426	561	426
	25,398	17,530	25,398	17,530
(-) Corresponding judicial deposits	(13,961)	(14,939)	(13,961)	(14,939)
Total	11,437	2,591	11,437	2,591
Current liabilities	(4,042)		(4,042)	
Non-current liabilities	7,395	2,591	7,395	2,591

Changes in the provision are as follows:

	Parent Company		Consolidated	
	Sept-2017	Dec-2016	Sept-2017	Dec-2016
Opening balance	2,591	6,666	2,591	6,698
Additions	10,696	12,773	10,696	12,773
Write-offs	(20,499)	(10,656)	(20,499)	(10,688)
Favorable outcome	(845)	(1,177)	(845)	(1,177)
Unfavorable outcome	5,065	5,013	5,065	5,013
Change in criterion	(583)	(263)	(583)	(263)
Revaluation of amount <sup>(i)</sup> s	11,732	(1,528)	11,732	(1,528)
Monetary restatement	2,302	2,536	2,302	2,536
Defense and appeal related deposits	978	(10,773)	978	(10,773)
Closing balance	11,437	2,591	11,437	2,591

The provision for legal claims took into consideration the best estimate of the amounts involved, for the cases in which the likelihood of loss is estimated as probable by external and internal legal advisors, and a portion of these proceedings is guaranteed by pledged assets (Note 19).

<sup>(i)</sup> In the first quarter of 2017, there was a revaluation of the amounts related to labor claims with likelihood of loss classified as probable.

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### Possible losses

At September 30, 2017 and December 31, 2016, the Group was party to legal proceedings of a tax, civil and labor nature, the likelihood of loss in which is estimated as possible by management and its legal advisors, amounting to R\$ 168,222 (R\$ 88,642 Dec-2016) for the parent company and R\$ 168,222 (R\$ 88,642 – Dec-2016) for the consolidated accounts.

### Judicial deposits

At September 30, 2017 and December 31, 2016, the Group had the following judicial deposit amounts, for which no corresponding provision had been set up:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>Sept-2017</b>	<b>Dec-2016</b>	<b>Sept-2017</b>	<b>Dec-2016</b>
Labor and social security	11,538	10,584	11,538	10,584
Tax	11,559	8,969	11,559	8,969
Civil	4,850	3,454	4,850	3,454
Total	<u>27,947</u>	<u>23,007</u>	<u>27,947</u>	<u>23,007</u>

### Labor contingencies

Labor claims in general relate to lawsuits filed by former employees questioning the payment of unpaid overtime and severance pay. The Group is also involved in proceedings assumed upon the acquisition of Raia S.A., which were filed by former employees of service providers claiming to have employment relationships directly with the Group, or in which the Group received a joint enforcement order for the payment of the labor rights claimed. There are also proceedings filed by professional unions for the payment of union dues, under the dispute regarding the legitimacy of the territorial base.

### Tax contingencies

These represent administrative fines, tax rate differences on interstate transfers and tax collection proceedings.

### Civil contingencies

The Group is a defendant in lawsuits regarding usual and unique matters arising in the course of its business, most of which seek indemnification for property damage and pain and suffering from consumption relations.

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### 13. Income tax and social contribution

#### (a) Income tax and social contribution paid

Effective income tax and social contribution for the quarters are as follow:

	Parent Company		Consolidated	
	3rd Quarter- 2017	3rd Quarter- 2016	3rd Quarter- 2017	3rd Quarter- 2016
Profit before income tax and social contribution	179,795	150,697	180,735	152,945
Interest on capital	(51,000)	(49,200)	(51,000)	(49,200)
Taxable profit	128,795	101,497	129,735	103,745
Combined tax rate (25% for income tax and 9% for social contribution)	34	34	34	34
Theoretical tax expense	(43,790)	(34,509)	(44,110)	(35,273)
Permanent additions	(574)	(1,191)	(599)	(1,209)
Equity in the results of investees	180	432		
Reduction of taxes due to incentives	551	387	563	387
Other	(102)	28	(96)	33
Effective income tax and social contribution expense	(43,735)	(34,853)	(44,242)	(36,062)
Effective tax rate	24.3%	23.1%	24.5%	23.6%

#### (b) Deferred income tax and social contribution

Deferred income tax and social contribution assets amounting to R\$ 66,051 at September 30, 2017 (R\$ 61,087 – Dec-2016) for the parent company and R\$ 66,654 at September 30, 2017 (R\$ 61,464 – Dec/2016) in the consolidated accounts arose from temporarily non-deductible expenses that may be carried forward indefinitely, with estimated realization as disclosed in item (c) below.

Deferred income tax and social contribution liabilities amounting to R\$ 280,959 at September 30, 2017 (R\$ 250,905 – Dec-2016) for the parent company and R\$ 284,304 at September 30, 2017 (254,651 - Dec-2016) in the consolidated accounts relate to tax charges on the remaining balances of: (i) the revaluation reserve; and (ii) goodwill on future profitability.

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Deferred income tax and social contribution for the quarters refer to:

	Balance sheet				Statement of income			
	Parent Company		Consolidated		Parent Company		Consolidated	
	Sept-2017	Dec-2016	Sept-2017	Dec-2016	3rd Quarter-2017	3rd Quarter-2016	3rd Quarter-2017	3rd Quarter-2016
Revaluation at fair value of land and buildings	(7,090)	(7,162)	(7,090)	(7,162)				
Amortization of the goodwill on future profitability	(215,756)	(183,737)	(215,756)	(183,737)	(10,650)	(10,698)	(10,650)	(10,698)
Non-deductible intangible assets - merger of Raia S.A.	(58,113)	(60,006)	(58,113)	(60,006)	631	631	631	631
Non-deductible intangible assets - acquisition of 4Bio			(3,345)	(3,746)			134	133
Goodwill on profitability of Drogeria Vison Ltda.	365	365	365	365				
Adjustments of transition tax regime – RTT						(25)		(25)
Adjustment to present value	(427)	(1,221)	(335)	(1,105)	(883)	(1,247)	(932)	(1,230)
Adjustment to present value	7,577	508	7,577	508	867	1,796	867	1,796
Provision for inventory obsolescence	29,491	27,500	29,491	27,500	(824)	(3,158)	(824)	(3,155)
Provision for sundry obligations	6,678	6,144	6,806	6,205	1,316	(207)	1,245	(148)
Provision for employee profit sharing	6,384	11,111	6,614	11,262	(961)	457	(968)	457
Provision for contingencies	8,636	5,960	8,636	5,960	(393)	(256)	(393)	(226)
Provision for impairment of trade receivables	2,168	1,302	2,321	1,351	150	2	251	2
Provision for commercial leases (renewal action)	1,396	1,806	1,396	1,806	(70)	29	(70)	29
Provision for customer loyalty programs	318	2,553	318	2,553	(2,086)	(1,956)	(2,086)	(1,956)
Provision for store closures	216	1,011	216	1,011	(607)	1,010	(607)	1,010
Provision for stock option plan	1,429	2,132	1,429	2,132	316	171	316	171
Provision for internal campaigns	1,049	162	1,049	162	99		99	
Sundry provision	771	1,754	771	1,754	136	77	136	77
<b>Deferred income tax and social contribution expense (benefit)</b>					<u>(12,959)</u>	<u>(13,374)</u>	<u>(12,851)</u>	<u>(13,132)</u>
<b>Deferred tax assets (liabilities), net</b>	<u>(214,908)</u>	<u>(189,818)</u>	<u>(217,650)</u>	<u>(193,187)</u>				
Reflected in the balance sheet as follows:								
Deferred tax liabilities	<u>(214,908)</u>	<u>(189,818)</u>	<u>(217,650)</u>	<u>(193,187)</u>				
<b>Deferred tax assets (liabilities), net</b>	<u>(214,908)</u>	<u>(189,818)</u>	<u>(217,650)</u>	<u>(193,187)</u>				
<b>Reconciliation of deferred tax assets (liabilities), net</b>	<b>Sept-2017</b>	<b>Dec-2016</b>	<b>Sept-2017</b>	<b>Dec-2016</b>				
<b>At the beginning of the period</b>	(189,818)	(161,826)	(189,441)	(161,652)				
Additions through business combinations				(4,622)				
Taxable revenue recognized in the income statement	(25,163)	(28,087)	(28,282)	(27,008)				
Realization of deferred tax recognized in equity	73	95	73	95				
<b>Balance at the end of the period</b>	<u>(214,908)</u>	<u>(189,818)</u>	<u>(217,650)</u>	<u>(193,187)</u>				

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### (c) Estimated recovery of income tax and social contribution credits

The projections of future taxable profits are based on estimates relating to the Group's performance, the behavior of the market in which the Group operates and certain economic aspects, among other factors. Actual amounts may differ from these estimates. According to projections, the tax credit amounting to R\$ 66,051 in the parent company and R\$ 66,654 in the consolidated accounts will be substantially realized by the end of December 2017.

### 14. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potential common diluted shares. At September 30, 2017 and 2016, the Group's shares did not have any dilutive effect, and the profits of basic and diluted shares were equal.

The following table presents profit and stock information used for calculating basic and diluted earnings per share:

	Parent Company	
	3rd Quarter- 2017	3rd Quarter- 2016
<b>Basic</b>		
Profit for the period	136,060	115,844
Weighted average number of common shares	329,981	329,717
<b>Basic earnings per share - R\$</b>	<u>0.41233</u>	<u>0.35134</u>
<b>Diluted</b>		
Profit for the period	136,060	115,844
Weighted average number of common shares	329,981	329,717
Weighted average number of common shares adjusted for dilution effect	329,981	329,717
<b>Diluted earnings per share - R\$</b>	<u>0.41233</u>	<u>0.35134</u>

### 15. Equity

#### (a) Share capital

At September 30, 2017, the fully paid-up capital amounted to R\$ 1,808,639 (R\$ 1,808,639 – Dec-2016), represented by 330,386,000 common registered book-entry shares with no par value, of which 211,996,743 shares were outstanding (205,570,433 common shares – Dec-2016).

Pursuant to the Company's bylaws, it is authorized to increase its capital up to the limit of 400,000,000 common shares, subject to the approval of the Board of Directors.

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At September 30, 2017, the Company's ownership interest was as follows:

	<u>Number of shares</u>		<u>Interest (%)</u>	
	<u>Sept-2017</u>	<u>Dec-2016</u>	<u>Sept-2017</u>	<u>Dec-2016</u>
Controlling stockholders	117,715,103	123,958,183	37.34	37.52
Shares outstanding	211,996,743	205,570,433	62.46	62.22
Treasury shares	674,154	857,384	0.20	0.26
	<u>330,386,000</u>	<u>330,386,000</u>	<u>100.00</u>	<u>100.00</u>

The ownership interest of the controlling stockholders is represented by the families Pipponzi, Pires Oliveira Dias and Galvão and by the Holding Pragma.

The change in the number of shares outstanding was as follows:

	<u>Shares outstanding</u>
At December 31, 2016	205,570,433
(Purchase)/sale of restricted shares, net	<u>6,426,310</u>
At September 30, 2017	<u>211,996,743</u>

At September 30, 2017, the Company's common shares were quoted at R\$ 75.00 (closing quote) (R\$ 61.19 at December 31, 2016).

### (b) Treasury shares

On April 24, 2014, the Board of Directors authorized the Company to repurchase, over a period of 365 days, its own registered common shares with no par value to be held in treasury and subsequently sold. The changes in treasury shares in the quarter ended September 30, 2017 are summarized below:

	<u>Parent Company</u>	
	<u>Number of shares</u>	<u>Shares value</u>
At December 31, 2016	857,384	16,289
Shares delivered to executives according to the grant schedule	(136,391)	(2,591)
Shares delivered in advance to executives relating to their employment termination	<u>(46,839)</u>	<u>(890)</u>
At September 30, 2017	<u>674,154</u>	<u>12,808</u>

At September 30, 2017, the market value of the treasury shares, having as reference the quotation of R\$ 75.00 per share at that date, corresponds to R\$ 50,562.



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### (c) Restricted share plan

Since March 2014, the Company offers its officers the Long-Term Incentive Program with Restricted Shares (the "Restricted Share Plan"), which aims to offer an opportunity to receive variable remuneration provided that the officer remains for a predetermined period in the Company.

As stated in the Restricted Share Plan, a portion of their annual variable remuneration (profit-sharing), will be paid to the officer in cash and the remaining balance shall be paid only in Company shares ("incentive stock").

If the officer decides to use a portion of the total amount of the variable remuneration paid in cash to buy Company shares ("own shares") on the stock exchange, the Company will offer the officer an equal number of shares purchased on the stock exchange.

At its discretion, the Company may grant to this officer more Company shares, using as reference the number of own shares acquired by the officer on the stock exchange.

The shares offered to the officer through the Restricted Share Plan may not be sold, assigned or transferred to third parties for a period of four years from the date of the grant, provided that, every year, from the second, third and fourth anniversary of the grant date, the officers will acquire the right to receive a third of their restricted stock.

The changes of the restricted shares are summarized below:

	<b>Sept-2017</b>		<b>Dec-2016</b>	
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>
Opening balance	375,212	11,123	193,640	4,225
Granted shares for the period	202,233	9,486	238,742	7,984
Value of the shares at the delivery date	(183,230)	(3,481)	(57,170)	(1,086)
Closing balance	<u>394,215</u>	<u>17,128</u>	<u>375,212</u>	<u>11,123</u>

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### 16. Net sales revenue

	Parent Company		Consolidated	
	3rd Quarter-2017	3rd Quarter-2016	3rd Quarter-2017	3rd Quarter-2016
Gross sales revenue				
Sales revenue	3,434,277	2,953,792	3,576,594	3,046,859
Service revenue	3,416	3,275	3,431	3,305
	<u>3,437,693</u>	<u>2,957,067</u>	<u>3,580,025</u>	<u>3,050,164</u>
Taxes on sales	(123,390)	(105,217)	(131,046)	(109,394)
Returns, rebates and other	(28,765)	(37,310)	(32,139)	(39,840)
Net sales revenue	<u>3,285,538</u>	<u>2,814,540</u>	<u>3,416,840</u>	<u>2,900,930</u>

Taxes on sales primarily comprise ICMS at rates predominantly between 17% and 18%, for goods not subject to the tax substitute (ST) regime, service tax at 5%, and PIS (1.65%) and COFINS (7.60%) for goods not subject to the one-time taxation regime (Law 10,147/00).

### 17. Information on the nature of expenses recognized in the statement of income

The Group presented its statement of income using a classification based on the function of expenses. Information on the nature of these expenses is recorded in the statement of income as follows:

	Parent Company		Consolidated	
	3rd Quarter-2017	3rd Quarter-2016	3rd Quarter-2017	3rd Quarter-2016
Cost of sales	(2,279,288)	(1,927,150)	(2,396,444)	(2,000,895)
Personnel expenses	(408,519)	(373,999)	(414,315)	(378,291)
Service provider expenses	(36,860)	(31,490)	(37,044)	(31,682)
Depreciation and amortization (i)	(86,213)	(70,033)	(86,760)	(70,498)
Other (ii)	(266,913)	(232,363)	(272,574)	(236,058)
	<u>(3,077,793)</u>	<u>(2,635,035)</u>	<u>(3,207,137)</u>	<u>(2,717,424)</u>
<b>Classified in the statement of income as:</b>				
Cost of sales	(2,279,288)	(1,927,150)	(2,396,444)	(2,000,895)
Selling expenses	(709,286)	(627,158)	(718,625)	(633,241)
General and administrative expenses	(89,219)	(80,727)	(92,068)	(83,288)
	<u>(3,077,793)</u>	<u>(2,635,035)</u>	<u>(3,207,137)</u>	<u>(2,717,424)</u>

(i) Depreciation and amortization totaled R\$ 86,213 in the third quarter of 2017 (R\$ 70,033 – 3rd Quarter-2016), of which R\$ 76,165 (R\$ 61,793 – 3<sup>rd</sup> Quarter-2016) correspond to the sales area, and R\$10,047 (R\$ 8,240 – 3rd Quarter-2016) to the administrative area.

(ii) These refer mostly to property rental expenses, credit and debit card management charges, transportation expenses, the maintenance of assets, utilities bills, consumables and condominium fees.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

## Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

### 18. Finance income and costs

#### (a) Finance income

	Parent Company		Consolidated	
	3rd Quarter- 2017	3rd Quarter- 2016	3rd Quarter- 2017	3rd Quarter- 2016
Discounts obtained	396	337	422	392
Short-term investment yields	6,893	4,879	6,893	4,879
Interest on intercompany loans	899	542		
Monetary gains	1,106	341	1,124	354
Other finance income		1	112	62
Taxes thereon (PIS/COFINS)	(432)	(284)	(432)	(284)
Present value adjustment (PVA) – finance income	18,450	22,359	20,112	23,878
<b>Total finance income</b>	<b>27,312</b>	<b>28,175</b>	<b>28,231</b>	<b>29,281</b>

#### (b) Finance costs

	Parent Company		Consolidated	
	3rd Quarter- 2017	3rd Quarter- 2016	3rd Quarter- 2017	3rd Quarter- 2016
Discounts granted to customers		(443)	(7)	(453)
Interest, charges and bank fees	(135)	(362)	(189)	(403)
Charges on debentures	(7,256)		(7,256)	
Amortization of transaction costs	(87)		(87)	
Charges on borrowings	(11,260)	(11,131)	(11,260)	(11,406)
Monetary losses	(1,467)	(916)	(1,448)	(942)
Interest on additional stock option	(2,551)	(1,606)	(2,551)	(1,606)
PVA – finance costs	(33,035)	(43,796)	(34,401)	(45,032)
<b>Total finance costs</b>	<b>(55,791)</b>	<b>(58,254)</b>	<b>(57,199)</b>	<b>(59,842)</b>
<b>Finance results</b>	<b>(28,479)</b>	<b>(30,079)</b>	<b>(28,968)</b>	<b>(30,561)</b>

### 19. Guarantees for lawsuits

The following items of property and equipment were given as security for tax, social security and labor proceedings:

	Parent Company		Consolidated	
	Sept-2017	Dec-2016	Sept-2017	Dec-2016
Furniture and facilities	28	32	28	32
Machinery and equipment	85	85	85	85
	<b>113</b>	<b>117</b>	<b>113</b>	<b>117</b>

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

## Notes to the Quarterly Information

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### 20. Lease agreement commitments

The Company and its subsidiary have lease agreements with terms ranging from one to 20 years. Annual lease expenses vary depending on the number of agreements entered into or terminated. Total monthly expenses on these lease agreements (including rental, condominium fees and real estate tax amounted to R\$ 42,051 (R\$ 38,710 – Dec-2016) for the parent company and R\$ 42,163 (R\$ 38,810 - Dec-2016) for the consolidated accounts.

At September 30, 2017 and December 31, 2016, the future minimum payments referring to leases of stores (under cancelable lease agreements) were as follows:

	Parent Company		Consolidated	
	Sept-2017	Dec-2016	Sept-2017	Dec-2016
From one to 12 months	420,422	385,361	421,105	386,110
From 13 to 60 months	1,062,726	971,035	1,063,894	972,702
Over 60 months	309,346	291,003	309,346	291,003
	<u>1,792,494</u>	<u>1,647,399</u>	<u>1,794,345</u>	<u>1,649,815</u>

### 21. Financial instruments and risk management policy

#### Financial instruments by category

	Parent Company		Consolidated	
	Sept-2017	Dec-2016	Sept-2017	Dec-2016
<b>Assets as per balance sheet</b>				
<u>Loans and receivables</u>				
Cash and cash equivalents (Note 5)	380,868	273,095	394,563	276,632
Trade receivables (Note 6)	783,816	713,841	869,801	772,241
Other receivables	172,515	120,711	135,386	105,112
Judicial deposits (Note 12)	27,947	23,007	27,947	23,007
	<u>1,365,146</u>	<u>1,130,654</u>	<u>1,427,697</u>	<u>1,176,992</u>
<b>Total assets</b>	<u>1,365,146</u>	<u>1,130,654</u>	<u>1,427,697</u>	<u>1,176,992</u>
<b>Liabilities as per balance sheet</b>				
<u>Liabilities at fair value through profit or loss</u>				
Additional stock option (Note 9)	52,515	45,228	52,515	45,228
	<u>52,515</u>	<u>45,228</u>	<u>52,515</u>	<u>45,228</u>
<u>Other financial liabilities</u>				
Trade payables	1,495,096	1,564,787	1,558,784	1,615,587
Borrowings (Note 11)	718,490	413,191	718,490	413,968
Other payables	185,695	175,046	187,186	175,972
	<u>2,399,281</u>	<u>2,153,024</u>	<u>2,464,460</u>	<u>2,205,527</u>
<b>Total liabilities</b>	<u>2,451,796</u>	<u>2,198,252</u>	<u>2,516,975</u>	<u>2,250,755</u>

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

## Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

### Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's risk management program focuses on the unpredictability of financial and operational markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Board provides principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of non-derivative financial instruments, and investment of surplus liquidity.

#### (a) Market risk

##### Foreign exchange risk

All of the asset and liability operations of the Group are denominated in Brazilian reais; therefore, the Company is not exposed to foreign exchange risk.

Most of the BNDES transactions are entered into based on the TJLP + interest and on the SELIC rate. Short-term investments are entered into based on the CDI variations, which does not result in higher interest rate risk since these variations are not significant. Management understands that there is a low risk of significant changes in profit or loss or in cash flows.

#### (b) Credit risk

Credit risk arises from financial assets, i.e. cash and cash equivalents, short-term investments and trade receivables.

Cash and cash equivalents and short-term investments are maintained with sound financial institutions.

The risk ratings of the cash equivalents are in accordance with the main risk rating agencies, according to the table below:

	Parent Company		Consolidated	
	Sept-2017	Dec-2016	Sept-2017	Dec-2016
<b>Rating – National Scale</b>				
brAA	6,737	38,036	20,252	41,030
BrA+	314,352	167,541	314,352	167,541
<b>Total – National Scale</b>	<u>321,089</u>	<u>205,577</u>	<u>334,604</u>	<u>208,571</u>

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

## Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

The granting of credit on sales of goods follows a policy that aims at minimizing defaults. For the quarter ended September 30, 2017, credit sales represented 51% (50% - Dec-2016) and 53% (51% - Dec-2016) for the consolidated accounts of which 92% (91% - Dec-2016) and 86% (86% - Dec-2016) in the consolidated accounts related to credit card sales which, in the opinion of the Group and based on the history of losses, posed an extremely low risk. The remaining 8% (9% - Dec-2016) and 14% (14% - Dec-2016) for the consolidated accounts are credits from PBMs, special plans with companies and post-dated checks and bills for payment that pose a low risk, due to customer selectivity and the adoption of individual limits.

### (c) Liquidity risk

The Group's management continuously monitors forecasts of the Company's liquidity requirements, in order to ensure that it has sufficient cash to meet operational needs. The Group invests its surplus cash in financial assets with appropriate maturities to provide the liquidity necessary to honor its obligations.

### (d) Sensitivity analysis

The table below presents a sensitivity analysis of financial instruments that are exposed to losses.

The most probable scenario (scenario I), according to the assessment made by management, is based on a three-month horizon. Two further scenarios are presented, pursuant to CVM Instruction 475/08, in order to show a 25% and 50% deterioration in the risk variables considered (scenarios II and III).

<b>Parent Company</b>				
<b>Operation</b>	<b>Risk</b>	<b>Scenario I (probable)</b>	<b>Scenario II</b>	<b>Scenario III</b>
Short term investments - CDI	0.5% increase	1,605	2,007	2,408
Revenue		1,605	2,007	2,408
REFIS (SELIC)	0.5% increase	7	8	10
Expense		7	8	10
<b>Consolidated</b>				
<b>Operation</b>	<b>Risk</b>	<b>Scenario I (probable)</b>	<b>Scenario II</b>	<b>Scenario III</b>
Short term investments - CDI	0.5% increase	1,673	2,091	2,509
Revenue		1,673	2,091	2,509
REFIS (SELIC)	0.5% increase	7	8	10
Expense		7	8	10

The risk of variations in the TJLP on BNDES operations which could result in material losses for the Group is not considered as probable by management.

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Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

## Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

### (e) Capital management

The Group's objective relating to capital management is to maintain the Group's investment capacity, thus allowing it to grow its business and provide proper returns for stockholders.

The Group has adopted a policy of not leveraging its capital structure with borrowing, except for long-term credit facilities from BNDES (FINEM) and debentures, at interest rates that are commensurate with the Group's profit levels.

Accordingly, this ratio corresponds to the net debt expressed as a percentage of the total capital. The net debt, in turn, corresponds to total borrowings less cash and cash equivalents. The total capital is calculated through the sum of the equity, as shown in the individual and consolidated balance sheet, and the net debt, as presented below:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Sept-2017</u>	<u>Dec-2016</u>	<u>Sept-2017</u>	<u>Dec-2016</u>
Short- and long-term borrowings	718,490	413,191	718,490	413,968
(-) Cash and cash equivalents	(380,868)	(273,095)	(394,563)	(276,632)
Net debt	<u>337,622</u>	<u>140,096</u>	<u>323,927</u>	<u>137,336</u>
Equity attributable to the stockholders of the parent company	3,084,428	2,909,787	3,084,428	2,909,787
Non-controlling interest			27,623	26,168
Total equity	<u>3,084,428</u>	<u>2,909,787</u>	<u>3,112,051</u>	<u>2,935,955</u>
Total capital	<u>3,422,050</u>	<u>3,049,883</u>	<u>3,435,978</u>	<u>3,073,291</u>
Gearing ratio - %	<u>9.87</u>	<u>4.59</u>	<u>9.43</u>	<u>4.47</u>

The increase in the gearing ratio at September 30, 2017 was mainly due to the issue of debentures (Note 11) and consequent use of the resources obtained in the Company's investments and operation.

### (f) Fair value estimation

The carrying values of financial investments in the balance sheet approximate their fair values since the remuneration rates are based on the CDI variation. The carrying values of trade receivables and payables are measured at amortized cost and are recorded at their original amount, less the provision for impairment and adjustment to present value, when applicable. The carrying values are assumed to approximate their fair values, taking into consideration the realization of these balances, and settlement terms not exceeding 60 days.

Borrowings are classified as financial liabilities not measured at fair value and are carried at amortized cost and according to contractual conditions. The fair values of the borrowings approximate their carrying values since they refer to financial instruments with rate that approximate market rates.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

## Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

For disclosure purposes, the fair value of financial liabilities is estimated by discounting future contractual cash flow at the interest rates available in the market that are available to the Group for similar financial instruments. The effective interest rates at the balance sheet dates are usual market rates and their fair value does not significantly differ from the balances in the accounting records.

At September 30, 2017, the Group had no material assets and liabilities measured at fair value at Level 1 and or Level 2 in the fair value hierarchy. The following table presents the changes in Level 3 instruments for the quarter ended September 30, 2017:

	<b>Parent company and consolidated</b>	
	<b>Additional stock option</b>	
	<b>Sept-2017</b>	<b>Sept-2016</b>
At January 1	45,228	31,632
Expenses recognized in the statement of income:	7,287	4,607
At September 30	52,515	36,239
Total expenses for the period recognized in the statement of income	7,287	4,607
Changes in unrealized expenses for the period included in the statement of income	7,287	4,607

## 22. Derivative financial instruments

The Group does not operate with derivative instruments, except in specific situations. At September 30, 2017 and December 31, 2016, the Group did not have any derivative transactions.



(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

## Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

### 23. Transactions with related parties

(a) Transactions with related parties consist of transactions with the Company's stockholders and persons connected to them:

	Relationship	Parent Company		Consolidated		Parent Company		Consolidated	
		Current assets				Revenues			
		Sept-2017	Dec-2016	Sept-2017	Dec-2016	3rd Quarter-2017	3rd Quarter-2016	3rd Quarter-2017	3rd Quarter-2016
Receivables									
Special plans (i)									
Regimar Comercial S.A.	Stockholder/Family	3	15	3	15	4	26	4	26
Heliomar S.A.	Stockholder/Board Member		1		1	1	4	1	4
Rodrigo Wright Pipponzi (Editora Mol Ltda.)	Stockholder/Family		1		1	1	1	1	1
		<u>3</u>	<u>17</u>	<u>3</u>	<u>17</u>	<u>6</u>	<u>31</u>	<u>6</u>	<u>31</u>
Other receivables									
Commercial agreements									
Natura Cosméticos S.A. (iv)	Stockholder / Related party	44	22	44	22	49	53	49	53
Loan receivable									
4Bio Medicamentos S.A. (v)	Subsidiary	37,806	15,624			899	542		
		<u>37,850</u>	<u>15,646</u>	<u>44</u>	<u>22</u>	<u>948</u>	<u>595</u>	<u>49</u>	<u>53</u>
		<u>37,853</u>	<u>15,663</u>	<u>47</u>	<u>39</u>	<u>954</u>	<u>626</u>	<u>55</u>	<u>84</u>

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

## Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

	Relationship	Parent Company				Consolidated				
		Current liabilities		Expense		Parent Company		Consolidated		
		Sept-2017	Dec-2016	Sept-2017	Dec-2016	3rd Quarter-2017	3rd Quarter-2016	3rd Quarter-2017	3rd Quarter-2016	
<b>Payables</b>										
<b>Rentals (ii)</b>										
	Heliomar S.A.	Stockholder/Board Member	18	19	18	19	56	52	56	52
	Antonio Carlos Pipponzi	Stockholder/Board Member	7	7	7	7	22	21	22	21
	Rosalia Pipponzi Raia	Stockholder/Board Member	7	7	7	7	22	21	22	21
	Estate of Franco Maria David	Stockholder/Board Member								
	Pietro Pipponzi		7	7	7	7	22	21	22	21
			<u>39</u>	<u>40</u>	<u>39</u>	<u>40</u>	<u>122</u>	<u>115</u>	<u>122</u>	<u>115</u>
<b>Service providers</b>										
	Zurcher, Ribeiro Filho, Pires	Stockholder/Family								
	Oliveira Dias e Freire Advogados (ii)		4	12	4	12	1,803	1,439	1,803	1,439
	Rodrigo Wright Pipponzi (Editora Mol Ltda.) (iii)	Stockholder/Family	578	790	578	790	2,019	1,795	2,019	1,795
	Cfly Consultoria e Gestão Empresarial Ltda. (vi)	Family					45		45	
			<u>582</u>	<u>802</u>	<u>582</u>	<u>802</u>	<u>3,867</u>	<u>3,234</u>	<u>3,867</u>	<u>3,234</u>
<b>Suppliers</b>										
	Natura Cosméticos S.A. (iv)	Stockholder / Related party	446	1,433	446	1,433	992	3,012	992	3,012
			<u>446</u>	<u>1,433</u>	<u>446</u>	<u>1,433</u>	<u>992</u>	<u>3,012</u>	<u>992</u>	<u>3,012</u>
			<u>1,067</u>	<u>2,275</u>	<u>1,067</u>	<u>2,275</u>	<u>4,981</u>	<u>6,361</u>	<u>4,981</u>	<u>6,361</u>

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

## Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

- (i) Sales carried out through special plans. These transactions have been entered into under commercial conditions equivalent to those adopted with other companies.
- (ii) Store rental and rendering of legal advisory services. These transactions are carried out under normal market conditions.
- (iii) These balances and transactions refer to service agreements for the development, creation and production of marketing materials for the institutional sales area, and the design of the Company's internal monthly magazine. The agreements are valid for an indefinite period of time and may be terminated by either party at any time without cost or penalties.
- (iv) On September 1st, 2015, Raia Drogasil S.A. and Natura Cosméticos S.A. entered into a purchase and sale agreement and other covenants to permit the sale of products of line "SOU" in 29 stores of the Raia and Drogasil in Campinas and region. Some members of the control block of Natura Cosméticos S.A. indirectly hold equity interests in Raia Drogasil S.A.

The parties decided to expand the project scope for sale in the entire State of São Paulo as from February 20, 2016 and for the entire national territory as from July 1st, 2016, by signing an Amendment to the agreement.

Raia Drogasil will receive five percent (5%) of the products sold, considering the amount indicated on the sale invoice of Natura Cosméticos S.A. to Raia Drogasil, and it is not possible to define a total value for the contract.

- (v) During 2016 and 2017, loan transactions were entered into between Raia Drogasil S.A. (Lender) and 4Bio Medicamentos S.A. (Borrower) in the amounts of R\$ 14,000 and R\$ 20,100, respectively. In June 2017, these amounts started being monetarily restated by 110% of the CDI, previously the rate used was 101.5% of the CDI. The amount of R\$ 14,100 matures in September 2017 and the remaining amount in February 2018.
- (vi) On August 9, 2017, Raia Drogasil S.A. and Cfly entered into a service agreement for operation of the Aircraft for the Owner RD, which will pay to the Operator a monthly remuneration for Operational, Compliance, Financial, Maintenance Coordination and CT Advisory services.

Moreover, we inform that there are no additional transactions other than the amounts presented above and that the category of the related parties corresponds to the entity's key management personnel.

### (b) Key management compensation

Key management includes the Officers, Directors and members of the Supervisory Board. The compensation paid or payable for services rendered is as follows:

	Parent Company		Consolidated	
	3rd Quarter- 2017	3rd Quarter- 2016	3rd Quarter- 2017	3rd Quarter- 2016
Fees and social charges	3,597	3,812	4,018	4,242
Bonuses and social charges	5,717	5,258	5,784	5,308
Fringe benefits	112	14	112	14
	<u>9,426</u>	<u>9,084</u>	<u>9,914</u>	<u>9,564</u>

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

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### 24. Insurance coverage

The Group has adopted a policy of taking out insurance coverage at amounts deemed sufficient to cover any losses on assets or civil liability attributed to it taking into consideration the nature of its activities and the guidance of its insurance consultants.

The Group had the following insurance coverage at September 30, 2017:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>Sept-2017</b>	<b>Dec-2016</b>	<b>Sept-2017</b>	<b>Dec-2016</b>
Inventory loss risks	151,721	145,248	172,349	161,304
Permanent assets	231,338	193,964	237,158	199,062
Loss of profits	237,873	171,500	262,052	195,679
Civil liability risks	33,602	27,150	34,500	27,150
	<u>654,534</u>	<u>537,862</u>	<u>706,059</u>	<u>583,195</u>

### 25. Non-cash transactions

At September 30, 2017, the main transactions that did not involve the Group's cash were:

- (i) the restatement of the financial liability arising from the additional stock option of 4Bio (Note 10);
- (ii) part of the compensation of key management personnel associated with the restricted share plan (Note 25); and
- (iii) the installment purchase of property and equipment items in the amount of R\$ 19,001 (R\$ 20,177 - Dec-2016).

### 26. Events after the reporting period

On October 25, 2017, the Company received authorization to make the advance payment of the agreement entered with BNDES on October 27, 2014. The amount is approximately R\$ 64MM and the settlement shall occur on the next days. This decision is in line with the Company's strategy.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

### **Comment on the Behavior of Business Projections**

In this section, in accordance with CVM Instruction No. 480/09, we compare the projections of store openings for 2016 and 2017, which we disclosed to the market through a Material Fact on July 28, 2016, with the data on the store openings every year, through the end of the current year.

YEAR	PRIOR PROJECTION	CURRENT PROJECTION	ACTUAL ACCUMULATED <sup>1</sup>
2016	165 openings	200 openings	212 openings
2017	195 openings	200 openings	150 openings

<sup>1</sup> For 2017, accumulated through 9/30/2017.

On July 28, 2016, we revised our prior projection of 165 store openings in 2016 and 195 store openings in 2017 to 200 store openings for both 2016 and 2017, as properly announced to the market. The Company ended 2016 with 212 store openings and reiterates the projection of 200 openings for 2017.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

## **Reports and Statements / Report on Special Review – Without Exceptions**

### **Report on review of quarterly information**

To the Board of Directors and Stockholders  
Raia Drogasil S.A.

#### **Introduction**

We have reviewed the accompanying parent company and consolidated interim accounting information of Raia Drogasil S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2017, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and nine-month periods then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company and consolidated interim accounting information in accordance with the accounting standard CPC 21, "Interim Financial Reporting", of the Brazilian Accounting Pronouncements Committee (CPC) and International Accounting Standard (IAS) 34, "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

#### **Scope of review**

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and ISRE 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Conclusion on the interim information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

## **Reports and Statements / Report on Special Review – Without Exceptions**

### **Other matters**

#### **Statements of value added**

We have also reviewed the parent company and consolidated statements of value added for the nine-month period ended September 30, 2017. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

São Paulo, October 26, 2017

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Renato Barbosa Postal  
Contador CRC 1SP187382/O-0

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

### **Opinions and Representations / Opinion of Supervisory Board or Equivalent Body**

To the Board of Directors and Stockholders of Raia Drogasil S.A.

The Company's Supervisory Board, in exercising its duties and legal responsibilities, has examined the Quarterly Information (ITR) for the quarter ended September 30, 2017 and, based on the examinations performed and on clarifications provided by management, and also considering the favorable Report on Special Review without exceptions, issued by the independent auditor PricewaterhouseCoopers Auditores Independentes, the Supervisory Board members concluded that the documents above are fairly presented, in all material respects.

São Paulo, October 26, 2017.

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Gilberto Lério  
Supervisory Board member

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Fernando Carvalho Braga  
Supervisory Board member

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Mário Antonio Luiz Corrêa  
Supervisory Board member



(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIÁ DROGASIL S.A.

### **Opinions and Representations / Officers' Representation on Financial Statements**

RAIA DROGASIL S.A.

In accordance with article 25, paragraph 1st, items V and VI, of CVM Instruction 480/09, the Company's officers represent that they have reviewed, discussed and agree with the conclusions expressed in the favorable Special Review Report without exceptions issued by the independent auditors for the quarter ended September 30, 2017.

São Paulo, October 26, 2017.

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Marcilio D'Amico Pousada  
Chief Executive Officer

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Fernando Kozel Varela  
Officer

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Antonio Carlos Coelho  
Officer

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Renato Cepollina Raduan  
Officer

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Eugênio De Zagottis  
Officer

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Maria Susana de Souza  
Officer

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Marcello De Zagottis  
Officer

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Antonio Carlos Marques de Oliveira  
Accountant in charge CRC-1SP215445/O-0

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2017 - RAIA DROGASIL S.A.

### **Opinions and Representations / Officers' Representation on Independent Auditor's Report**

RAIA DROGASIL S.A.

In accordance with article 25, paragraph 1st, items V and VI, of CVM Instruction 480/09, the Company's officers represent that they have reviewed, discussed and agree with the conclusions expressed in the favorable Special Review Report without exceptions issued by the independent auditors for the quarter ended September 30, 2017.

São Paulo, October 26, 2017.

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Marcilio D'Amico Pousada  
Chief Executive Officer

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Fernando Kozel Varela  
Officer

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Antonio Carlos Coelho  
Officer

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Renato Cepollina Raduan  
Officer

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Eugênio De Zagottis  
Officer

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Maria Susana de Souza  
Officer

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Marcello De Zagottis  
Officer

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Antonio Carlos Marques de Oliveira  
Accountant in charge CRC-1SP215445/O-0